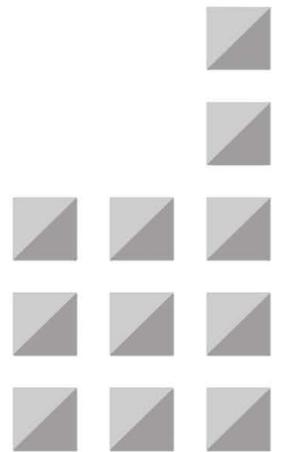


ANNUAL

REPORT

2023



Annual Report 2023

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INSTITUTE PROFILE



The PG Development Plc. (PG MFI) was formed by the strategic partnership between a reputable businessman, **Mr. Men Sokchamroeun** and a conglomerate investor, **Mrs. Ngov Vouchngim**, and obtained the license from the Ministry of Commerce on April 25th, 2017. and received financial incorporation license No. MF-84 dated August 11th, 2017 from the National Bank of Cambodia. The institution is established for the purpose of facilitating the financial need of people who are unable to find the source of funds to create, upgrade and expand their business.

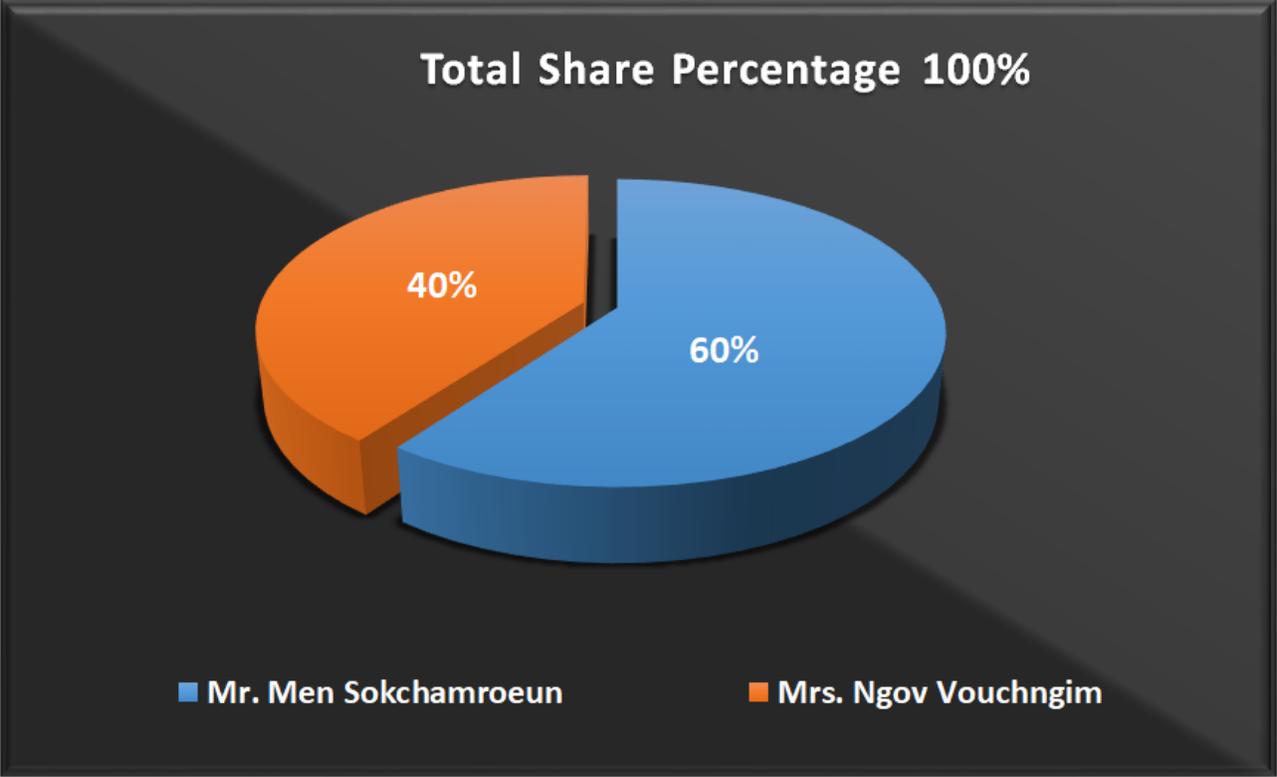
The economic growth remains robust and the need for financial services to support this growth agenda is the most important to sustain microeconomic development. The PG MFI has realized that the financial services accessible to agricultural, SME, and micro-business have kept growing year-on-year and there is the potential chance to service these segments and sustain them in the long run.

The MFI aims to be the best partner by fulfilling the aspiration of people in these specific segments while creating sustainable value for shareholders, employees, and communities. It is the Bank's objective to grow with customers as well as the improvement of living standards of Cambodians and poverty alleviation.

SHARE CAPITAL

PG DEVELOPMENT PLC

PG DEVELOPMENT PLC is owned by Cambodian Shareholders and two shareholders own 100% of the shares of the institution.





VISSION

Leading PG DEVELOPMENT PLC. to become the first microfinance which provides convenient service to the customer and diversifies financial services in Cambodia.

MISSION

PG DEVELOPMENT PLC. is one of the financial institutions providing small and medium financial services to promote the public living standard through lending the loan with reasonable interest rates and providing fast services to customers and SMEs in the urban and rural areas.



BOARD OF DIRECTORS



The Board of Directors of the PG Development Plc. (PGMFI) is composed of three members who have decades of experience in the finance sector, risk management, and as well as business operation. The Board of Directors appointed by the shareholder’s meeting has played the key role to deliver the institution’s strategy, being responsible for shareholders, creating the long shareholders’ value, and assure the governance, policies and practices are implemented in line with applicable legal requirements. The Board of Directors established two committees including Audit Committee and Risk Committee.

After the board meeting with participation from the Board of Director, Board Supervisor, and Senior Management, it has decided to appoint the following personnel:

- ❖ Mr. Men Sokchamroeun, Chairman
- ❖ Mrs. Ngov Vouchngim, Director
- ❖ Mrs. Min Li, Member



MRS. NGOV VOUCHNGIM
CHEIF EXECUTIVE OFFICER



MRS. IM CHANDA
HEAD OF LOAN DIVISION



Mr. MUONG PISOT
HEAD OF COMPLIANCE



MR. PHO SISOWATH
HEAD OF INTERNAL AUDIT



MRS. SAM LEAKHENA
ACC & OPERATION SUPERVISOR



MR. ROS CHEANICH
IT SUPERVISOR



MS. HGOV VOUCHANG
HR & ADMIN REPRESENTATIVE

SENIOR AND MANAGEMENT TEAM



Solidarity and Unity is a strength. Our managements work and collaborate with each other straitening forward to achieve vision, mission, strategic and goal of PG DEVELOPMENT PLC.

Most importantly, our management’s team focus on professionalism, ethic, morality, core values and sincerity to customers as well as interpersonal staff within PG DEVELOPMENT PLC. **“Your success, Our goal”**, We provide the best financial service to everyone to change their standard of living.

INSTITUTION GOVERNANCE

PRODUCT AND SERVICE PRODUCT

Considering the people need for finding the sources of fund to expand and support their businesses in better growth consistently with current market increasing, PG DEVELOPMENT PLC, provide loan service with flexible loan amount, loan maturity and diversity repayment methods, and better choice of loan with either currency in KHR Riel or US dollar upon customers' demand.

គ្រឹះស្ថានមីក្រូហិរញ្ញវត្ថុ ភីឌី ឌីវឡូបម៉ង់
PG 限额供资银行
PG DEVELOPMENT MICROFINANCE PLC.

ផលិតផល និងសេវាកម្ម

- ឥណទានយានយន្ត & ឥណទានផ្ទាល់ខ្លួន
- ឥណទានអាជីវកម្ម
- ឥណទានគេហដ្ឋាន

ព័ត៌មានបន្ថែមសូមទាក់ទង

ទូរស័ព្ទលេខ៖ 098 999 111
 098 999 611

ផ្ទះលេខ ២០, ផ្លូវលេខ ១៧៨, សង្កាត់ ផ្សារធ្មេញ, ខណ្ឌដូនពេញ, រាជធានីភ្នំពេញ
 #20, St 178, SANGKAT PHSAR THMEY 3,
 KHAN DAUN PENH, PHNOM PENH, CAMBODIA
 INFO@PGDEVELOPMENT.COM.KH
 WWW.PGDEVELOPMENT.COM.KH

ភាពជោគជ័យរបស់អ្នក គឺជាគោលដៅរបស់យើង
YOUR SUCCESS, OUR GOAL

SERVICE

PG DEVELOPMENT PLC, has focus on customer service based for sustaining close relationship, friendly, ethical and professional work to ensure the best service to customers.



BUSINESS ETHIC

The institution has set out regulations to guide all staffs towards ethical behavior based on key principles such as:

- No discrimination;
- Avoid the conflict to the institution's benefit;
- Equality for all employees and customers;
- Maintains the confidentiality data of institution and client;
- Service and Commission Fee transparency;
- Avoid personal interests gain through institutional operations.



CORPORATE VISION

- Providing excellent service and efficiency;
- Good communication and loyalty to all customers and individuals;
- Promoting employees to be positive and active through salary appraisal, additional benefits and organizing parties;
- To strengthen staff training for new knowledge;
- Promoting good discipline;
- Providing new services to our customers;
- Leading Service;
- To research, study new content and learn about risk management.



RISK MANAGEMENT

Risk management is an essential issue that PG DEVELOPMENT PLC, is paying close attention in the reason that it is the key to the success for the entire institution. At the meantime, the institution has its main principle to prevent any risks which may occur by identifying the measures and allocating of high responsibilities independently to each function.

The institution will identify appropriate strategies to address and mitigate the risks level, such as: acceptance, remedy, transfer and avoidance, and will continue to monitor to ensure that those risks are being managed and resolved. Audit Department and Compliance Department play an important role in identifying the appropriateness and assessing the risks impact which may occur, then manage to address them in time manner.

Regular monitoring is specifically evaluated the likelihood of the risk occurrence and identified the appropriate strategies or new planning activities in mitigating risk with effective manner.



BUSINESS GOAL

PG DEVELOPMENT PLC is in constant position to manage its structure in order to strengthen its institutional interests, establishment and guidance the implementation of Customer-oriented services for continuing enhancement its main growth through providing loan to clients. In addition, institution plans is focused on expanding loan service package with financial partnership which is mainly sustainable development of client.

CORPORATE GOVERNANCE

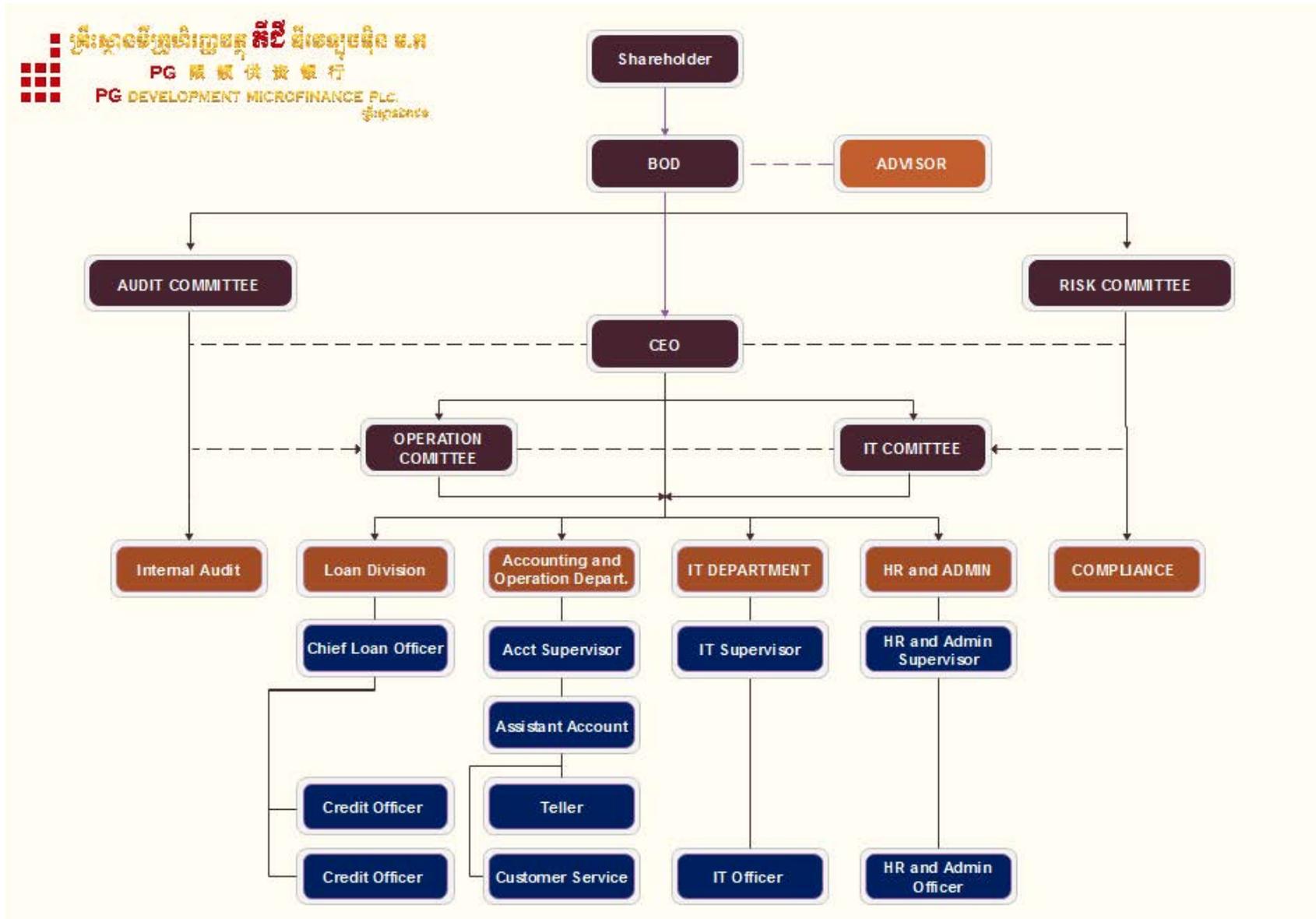
To strengthen our organizational structure and comply with laws and regulation of National Bank of Cambodia, we have currently recruited experience and competence staffs in the field of internal audit and compliance. The internal control and AML policies and procedure are gradually progressed in accordance with the best practice and as required by the National Bank of Cambodia's regulation and guidelines. Furthermore, some committees such as Audit and Risk Committee are formed or established in response to its own development and impact from economic and industry trend.

TRAINING & DEVELOPMENT

Training and development are the central to further enhancing our staff's improvement and customers' satisfaction. Therefore, we invest in skillful and development and recruit experienced professional staff. Indeed, professionalism, high ethical, integrity and honesty of employees are the core for the MFI in pursuing and maintaining its regulatory rule undertaking. All managements and staffs are required to perform their work diligently and honestly, placing first the interests of the MFI and customers' satisfaction.



ORGANIZATIONAL CHART



MESSAGE FROM CHAIRMAN



On behalf of PG DEVELOPMENT PLC and respective customer and being as a Chairman of Board of Director, I have a great honored and exited to express my sincere interest as below: Cambodia is in peace, sustainable macro-economic growth in micro and macro and political stability, setting its sight attaining upper from lower middle income country to high middle income country at 2030. Under the wise leadership, flexible policy implementation, and long term vision of royal government of Cambodia, is the crucial foundation to foster the development of all economic sector with the prosperity, sustainability and financial inclusion. In contribution to this vision of government, National Bank of Cambodia has released prompt corrective action to prevent and minimize the affection to Banking System as well national economy impacting the growth of Cambodia economy such as COVID-19 pandemic,

climate change, exchange rate, high expenditure, fuel price increment, the outbreak war between Israel and Palestine and unstoppable war of Russia-Ukraine would also affect the Cambodia economic growth. To response with this situation, the royal government provide the new prompt strategy and measure to reduce high inflation and sustain the economic growth in 2024 as well as the next following year. Even though the 2023 Cambodia economic was affected, PG DEVELOPMENT PLC have tried all its best effort to contribute in this development by keep providing continuity and sustainable financial service at all level of humanity with appropriate interest which is enable client get access and meet the current need for expanding business, agriculture works and personal family essential.

We would like to thank our customers, shareholders, directors, executive management, and all staffs of PG MFI for their support and efforts in undertaking the MFI's strategy and in achieving its goals and objectives. We also express our sincerest gratitude to the Royal Government of Cambodia, the National Bank of Cambodia, regulators, and all relevant authorities for their constant support and dedicated efforts to develop Cambodia's financial industry, especially the banking sector. We reaffirm our commitment to all our customers and shareholders continuing to represent the best opportunities for PG MFI to achieve a strong and sustainable growth and to deliver on our strategic goals to enhance future returns as well as strengthening its position in the Kingdom of Cambodia and the region.



Mr. Men Sokchamroeun
Chairman of Board Director
July 23rd, 2024

MESSAGE FROM CEO



Since Covid-19 pandemic to the 2022 fiscal year was gradually step forward to prevent the unexpected event and risk exposure. Institution have complied with principle and guideline of National Bank of Cambodia regarding the concession on loan restructures which are impacted by Covid-19 pandemic, economic crisis or as well as the severe flood disaster.

During the year 2023, Institution was strong progress and performance for the PG Development Plc. (PGMFI) by continuing to deliver its long-term strategy and keep moving forward dedicating our passion to improving returns and better serving our great customers.

PGMFI continues to serve customers with professionalism, deep capability, and unique insight. We keep providing good banking solutions service in supporting business growth, customer’s demand, the development of the economy and country.

First and foremost, the MFI built up solid corporate governance by putting the policies and procedures in place and sound internal control. Furthermore, the deep experience and knowledge of the Board of Directors and the management team is the

key cornerstone to the sustainable and long-term growth of the MFI.

We have taken part in the banking development as well as the economic development by providing financial assistance to the agricultural sector to enable customers in rural areas to fulfil

their need in promoting agricultural export and poverty alleviation in conform to pentagonal strategy-Phase I.

Through the best effort from the lower level staff to the top management, the MFI has shown remarkable growth and archived a significant return in 2023. PG MFI

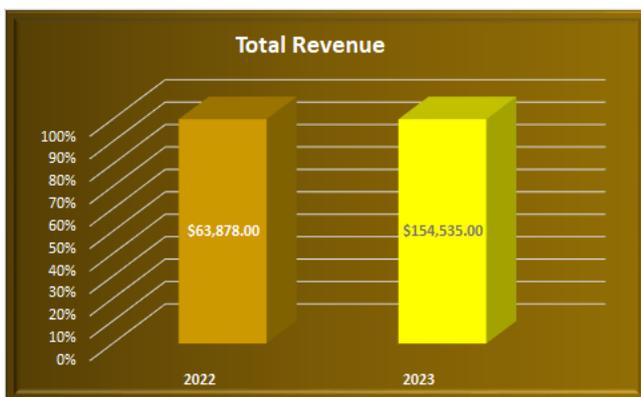
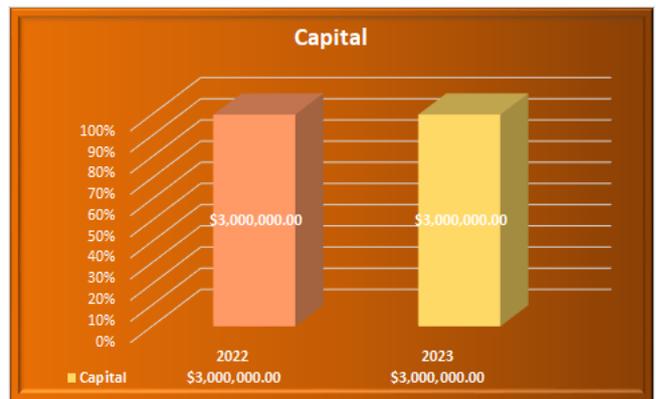
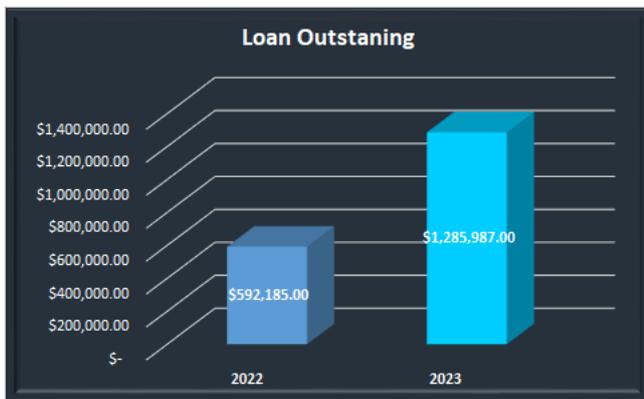
continuous to set clear priorities to improve the staff ethics and management level; and enhanced the risk management efficiency. Moreover, the MFI tightened the internal controls and governance within institution.

The year of 2024 is expected to bring a great hope thanks to steady growth of economy and political stability. We believed that the united is strength. As long as we fight as united, the PG MFI must become stronger and therefore, have a bright future.



Mrs. Ngov Vouchingim
Chief Executive Officer
July 23rd, 2024

FINANCIAL HIGHLIGHTS



PG DEVELOPMENT PLC.

**DIRECTORS' REPORT AND
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

PG DEVELOPMENT PLC.

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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PG DEVELOPMENT PLC.

DIRECTORS' REPORT

The Board of Directors (or the "Directors") hereby submit their report together with the audited financial statements of the Company for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is principally engaged in all aspects of microfinance services business and the provision of related financial services in Cambodia.

There have been no significant changes in the nature of this principal activities during the year.

RESULTS

	USD	KHR'000
Loss for the year	<u>37,227</u>	<u>153,003</u>

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous year.

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2023.

RESERVES AND PROVISIONS

There were no reserves and no material transfers to or from provisions during the financial other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had 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 amount written off at bad debts or the amount of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

ASSETS

Before the financial statements of the Company were prepared, the directors took reasonable steps to ensure that any assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Company had been written down to an amount which they might be expected so to realise.

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

PG DEVELOPMENT PLC.

DIRECTORS' REPORT

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods 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; and
- (ii) any contingent liabilities in respect of the Company which has arisen since the end of the financial year.

In the opinion of the Directors, no contingent or other liability of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the year which will or may affect the ability of the Company to meet its obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

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

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

- (i) the results of the operations of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the year, no new issue of shares or debentures were made by the Company.

DIRECTORS

The directors in office during the year and during the period from the end of the year to the date of the report are as follows:

Men Sokchamroeun
Min Li
Ngov Vouchngim

PG DEVELOPMENT PLC.

DIRECTORS' REPORT

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE YEAR

There is no significant event subsequent to the end of the year.

AUDITORS

The auditors, Messrs. Baker Tilly (Cambodia) Co., Ltd., have expressed their willingness to continue in office.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors of the Company are responsible for ascertaining that the financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended. In preparing these financial statements, the directors of the Company are required to:

- (i) adopt appropriate accounting policies in accordance with Cambodian International Financial Reporting Standard for Small and Medium-sized Entities ("CIFRS for SMEs"), which are supported by reasonable and prudent judgement and estimates, and then apply them consistently;
- (ii) comply with the disclosure requirements of CIFRS for SMEs or, if there have been any departures from such standards, in the interest of fair presentation, ensure that this has been appropriately disclosed, explained and quantified in the financial statements;
- (iii) maintain adequate accounting records that enable the Company to prepare its financial statements in accordance to CIFRS for SMEs and an effective system of internal controls;
- (iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the reasonable future; and
- (v) effectively control and direct the Company and be involved in all material decisions affecting its operations and performance, and ascertain that such matters have been properly reflected in the financial statements.

The directors confirm that the Company has complied with the above requirements in preparing its financial statements.

APPROVAL OF THE FINANCIAL STATEMENTS

In the opinion of the Directors, the accompanying statement of financial position of PG Development Plc. (the "Company") as at 31 December 2023, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements are presented fairly, in all material respects, in accordance with Cambodian International Financial Reporting Standards for Small and Medium-Sized Entities ("CIFRS for SMEs").

Signed on behalf of the Board of Directors,



Mr. Men Sokchamroeun
Chairman

Phnom Penh, Kingdom of Cambodia

Date: **23 JUL 2024**

PG DEVELOPMENT PLC.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

		2023		2022	
	Notes	USD	KHR'000	USD	KHR'000
ASSETS					
Cash on hand	5	847,009	3,460,032	1,592,885	6,557,908
Deposit and placement with the National Bank of Cambodia ("NBC")	6	15,478	63,228	14,133	58,186
Loans to customers - net	7	1,285,987	5,253,257	592,185	2,438,026
Other assets		12,200	49,837	8,165	33,615
Statutory deposit	8	150,000	612,750	150,000	617,550
Property and equipment		1,887	7,708	2,079	8,559
TOTAL ASSETS		<u>2,312,561</u>	<u>9,446,812</u>	<u>2,359,447</u>	<u>9,713,844</u>
EQUITY AND LIABILITIES					
EQUITY					
Share capital	9	3,000,000	12,000,000	3,000,000	12,000,000
Accumulated losses		(713,423)	(2,893,884)	(676,196)	(2,740,881)
Exchange differences		-	234,551	-	307,983
TOTAL EQUITY		<u>2,286,577</u>	<u>9,340,667</u>	<u>2,323,804</u>	<u>9,567,102</u>
LIABILITIES					
Other liabilities		25,984	106,145	35,643	146,742
TOTAL EQUITY AND LIABILITIES		<u>2,312,561</u>	<u>9,446,812</u>	<u>2,359,447</u>	<u>9,713,844</u>

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

PG DEVELOPMENT PLC.

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	2023		2022	
		USD	KHR'000	USD	KHR'000
Interest income	10	154,535	635,139	63,878	261,069
Other operating income	11	12,183	50,072	5,336	21,808
Total income		<u>166,718</u>	<u>685,211</u>	<u>69,214</u>	<u>282,877</u>
Personnel expense	12	(98,121)	(403,277)	(101,733)	(415,783)
General and administrative expenses	13	(68,971)	(283,471)	(56,844)	(232,321)
Impairment losses on loans to customers	7	(27,650)	(113,642)	(12,695)	(51,884)
Unrealised foreign exchange loss - net		(7,944)	(32,650)	(4,225)	(17,268)
Depreciation expense		(1,259)	(5,174)	(6,880)	(28,119)
Total operating expenses		<u>(203,945)</u>	<u>(838,214)</u>	<u>(182,377)</u>	<u>(745,375)</u>
Loss before tax		<u>(37,227)</u>	<u>(153,003)</u>	<u>(113,163)</u>	<u>(462,498)</u>
Income tax expenses	14	-	-	-	-
Loss after tax		<u>(37,227)</u>	<u>(153,003)</u>	<u>(113,163)</u>	<u>(462,498)</u>
Other comprehensive income					
Exchange differences		-	(73,432)	-	99,278
Total comprehensive loss for the year		<u>(37,227)</u>	<u>(226,435)</u>	<u>(113,163)</u>	<u>(363,220)</u>

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

PG DEVELOPMENT PLC.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Share capital USD	Accumulated losses USD	Exchange differences USD	Total equity USD
At 1 January 2022	3,000,000	(563,033)	-	2,436,967
Loss for the year	-	(113,163)	-	(113,163)
Total comprehensive income for the year	-	(113,163)	-	(113,163)
Exchange differences	-	-	-	-
At 31 December 2022 / 1 January 2023	3,000,000	(676,196)	-	2,323,804
Loss for the year	-	(37,227)	-	(37,227)
Total comprehensive income for the year	-	(37,227)	-	(37,227)
Exchange differences	-	-	-	-
At 31 December 2023	3,000,000	(713,423)	-	2,286,577
At 31 December 2022 (KHR'000)	12,000,000	(2,740,881)	307,983	9,567,102
At 31 December 2023 (KHR'000)	12,000,000	(2,893,884)	234,551	9,340,667

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

PG DEVELOPMENT PLC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Notes	2023		2022	
		USD	KHR'000	USD	KHR'000
Cash flows from operating activities					
Loss before tax		(37,227)	(153,003)	(113,163)	(462,498)
Adjustments for:					
Depreciation of property and equipment		1,259	5,174	6,880	28,119
Impairment losses on loans to customers	7	27,650	113,642	12,695	51,884
Net unrealised foreign exchange (gain)/loss		(19,318)	(79,397)	4,691	19,172
Operating loss before changes in working capital		(27,636)	(113,584)	(88,897)	(363,323)
Loans to customers		(721,452)	(2,965,168)	(305,965)	(1,250,479)
Other assets		(4,035)	(16,584)	(4,714)	(19,266)
Other liabilities		9,659	39,698	6,457	26,390
Net cash used in operations		(743,464)	(3,055,638)	(393,119)	(1,606,678)
Income tax paid		-	-	-	-
Net cash used in operating activity		(743,464)	(3,055,638)	(393,119)	(1,606,678)
Cash flows from investing activity					
Purchase of property and equipment		(1,067)	(4,385)	(2,509)	(10,254)
Net decrease in cash and cash equivalents during the year		(744,531)	(3,060,023)	(395,628)	(1,616,932)
Cash and cash equivalents at the beginning of the year		1,607,018	6,616,094	2,002,646	8,158,780
Exchange differences		-	(32,811)	-	74,246
Cash and cash equivalents at the end of the year		862,487	3,523,260	1,607,018	6,616,094

Cash and cash equivalents comprise of the followings:

	Notes	2023		2022	
		USD	KHR'000	USD	KHR'000
Cash on hand	5	847,009	3,460,032	1,592,885	6,557,908
Deposit and placement with NBC	6	15,478	63,228	14,133	58,186
		862,487	3,523,260	1,607,018	6,616,094

The accompanying notes form an integral part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

1. GENERAL INFORMATION

PG Development Plc. (the “Company”), is a public limited company, incorporated and domiciled in Cambodia. The registered office and principal place of business of the Company is located in No. 20E0, Street 178, Sangkat Phsar Thmey 3, Khan Duan Penh, Phnom Penh, Cambodia.

The principal activities of the Company are all aspects of microfinance services business and the provision of related financial services in Cambodia. There have been no significant changes in the nature of these activities during the year.

2. BASIS FOR PREPARATION

2.1 Statement of compliance

The financial statements of the Company are prepared in accordance with the Cambodian International Financial Reporting Standard for Small and Medium-Sized Entities (“CIFRS for SMEs”), following Circular No. 004 MoEF.NAC dated 3 January 2019 issued by the National Accounting Council of the Ministry of Economy and Finance on the implementation of the accounting standards for banks and financial institutions.

2.2 Basis of measurement

The financial statements of the Company have been prepared under the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

2.3 Functional and presentation currency

The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Company transacts its business and maintains its accounting records primarily in United States Dollar (“USD”), the directors have determined the USD to be the Company’s currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Company.

The translations of USD amounts into KHR presented in the financial statements are included solely to comply with the Law on Accounting and Auditing and have been using the prescribed official annual closing and average exchange rate of USD1 to KHR4,085 and USD1 to KHR4,110 respectively, for the year ended 31 December 2023 (2022: KHR4,117 and KHR4,087) as announced by the National Bank of Cambodia.

These convenience translations should not be construed as representations that the USD amounts represent, or have been or could be, converted into KHR at that or any other rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Property and equipment

Property and equipment are recognised initially at cost less accumulated depreciation and impairment losses. Cost includes all cost incurred to bring the asset to the condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of parts that are replaced is derecognised. All other repairs and maintenances are charged to profit or loss during the period in which they are incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Property and equipment (Continued)

Depreciation of property and equipment are charged to the statement of comprehensive income using the straight-line method over the useful lives of the individual assets as follows:

	Useful lives Years
Leasehold improvements	5
Furniture and fixtures	2 - 3
Office equipment	3
Computer and IT equipment	3
Motor vehicles	3

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

The carrying amount of an asset is written-down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit or loss.

3.2 Financial instruments

Financial assets

The Company's financial assets include cash on hand, loans to customers and other assets (excluding prepayments and capital guarantee deposits with the NBC). These financial assets are recognised initially at the transaction price. Subsequently, they are measured at amortised cost using the effective interest method, less provisions for impairment.

The carrying amounts of the financial assets as at the reporting date amounted to USD2,158,491 (2022: USD2,204,924).

When there is objective evidence that the carrying amounts of receivables are not recoverable, an impairment loss is recognised in the statement of comprehensive income.

Financial liabilities

The Company's financial liabilities include other liabilities (excluding other taxes payable). Financial liabilities are recognised initially at transaction price. After initial recognition, they are measured at amortised cost using the effective interest method. Other liabilities are on normal credit terms and do not bear interest.

The carrying amounts of the financial liabilities as at the reporting date amounted to USD24,613 (2022: USD34,966).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

3.4 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value.

3.5 Statutory deposits with NBC

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

3.6 Impairment

3.6.1 Impairment of Financial Assets

Loans to customers

Credit classification and impairment allowance on loans to customers are classified into 5 classes with allowance rates as follows:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

Interest income

Interest income is recognised using the effective interest method and included in interest income in profit or loss.

Fee and commission income

Loan arrangement fee and commissions are recognised in the other operating income when all the conditions precedent are fulfilled.

Service charges, processing fees and other operating income are recognised when the right to receive payment is established.

3.8 Employee benefits

Short-term employee benefits obligations in respect of wages, salaries, social security contributions, paid annual leave, sick leave, and non-monetary benefits are recognised as an expense in the profit or loss when the employees have rendered their services to the Company.

3.9 Income tax

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates that have been enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3.10 Foreign currencies translation

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit and loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the dates the fair value was determined.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTION

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial period include the followings:

4.1 Impairment on loans and advances to customers

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and advances and analyses their ageing profile, historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

4.2 Income taxes

Significant judgement is required in determining the Company's estimation for current and deferred taxes because the ultimate tax liability for the Company as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities, the amounts might be different from the initial estimates of the tax payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Company will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise.

The income tax expense of the Company is disclosed in Note 14.

5. CASH ON HAND

	2023		2022	
	USD	KHR'000	USD	KHR'000
US dollar	833,289	3,403,986	1,584,392	6,522,942
Khmer Riel	13,720	56,046	8,493	34,966
	<u>847,009</u>	<u>3,460,032</u>	<u>1,592,885</u>	<u>6,557,908</u>

6. DEPOSIT AND PLACEMENT WITH THE NATIONAL BANK OF CAMBODIA ("NBC")

	2023		2022	
	USD	KHR'000	USD	KHR'000
Current accounts - USD	13,143	53,689	11,796	48,564
Current accounts - KHR	2,335	9,539	2,337	9,622
	<u>15,478</u>	<u>63,228</u>	<u>14,133</u>	<u>58,186</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

7. LOANS TO CUSTOMERS - NET

	2023		2022	
	USD	KHR'000	USD	KHR'000
Short-term loans	772,963	3,157,554	208,291	857,534
Long-term loans	556,822	2,274,618	400,042	1,646,973
Gross loans to customers	1,329,785	5,432,172	608,333	2,504,507
Less: allowance for impairment losses	(43,798)	(178,915)	(16,148)	(66,481)
Loans to customer - net	1,285,987	5,253,257	592,185	2,438,026

The movements in allowance for impairment losses are as follows:

	2023		2022	
	USD	KHR'000	USD	KHR'000
At 1 January	16,148	66,481	3,453	14,067
Transfer to profit or loss	27,650	113,642	12,695	51,884
Exchange difference	-	(1,208)	-	530
At 31 December	43,798	178,915	16,148	66,481

Further analysis of the above loans to customers are provided as follows:

	2023		2022	
	USD	KHR'000	USD	KHR'000
A. By maturity period				
Less than one year	772,963	3,157,554	208,291	857,534
Between one year to five years	292,221	1,193,723	166,252	684,459
More than five years	264,601	1,080,895	233,790	962,514
	1,329,785	5,432,172	608,333	2,504,507
B. By performance				
Standard loans	1,295,926	5,293,858	592,446	2,439,100
Substandard loans	3,218	13,146	5,374	22,125
Doubtful loans	1,764	7,206	2,760	11,363
Loss loans	28,877	117,962	7,753	31,919
	1,329,785	5,432,172	608,333	2,504,507
C. By currency denomination				
US Dollar	1,148,131	4,690,115	462,237	1,903,030
Khmer Riel	181,654	742,057	146,096	601,477
	1,329,785	5,432,172	608,333	2,504,507

On 1 December 2016, the NBC issued a Prakas No. B7-016-334 on Provision of Credit in National Currency of Banking and Financial Institutions, required all institutions to maintain loans in national currency (KHR) at least 10% of the total loan portfolio.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

7. LOANS TO CUSTOMERS - NET (CONTINUED)

	2023		2022	
	USD	KHR'000	USD	KHR'000
D. By status of residence				
Residents	<u>1,329,785</u>	<u>5,432,172</u>	<u>608,333</u>	<u>2,504,507</u>
E. By relationship				
Staff loans	58,044	237,110	74,340	306,058
External loans	<u>1,271,741</u>	<u>5,195,062</u>	<u>533,993</u>	<u>2,198,449</u>
	<u>1,329,785</u>	<u>5,432,172</u>	<u>608,333</u>	<u>2,504,507</u>
F. By industry				
Trade and commerce	686,606	2,804,785	164,408	676,869
Transportation	36,269	148,157	48,771	200,792
Household/family	375,708	1,534,769	285,389	1,174,946
Agriculture	197,055	804,969	73,458	302,426
Others	<u>34,147</u>	<u>139,492</u>	<u>36,307</u>	<u>149,474</u>
	<u>1,329,785</u>	<u>5,432,172</u>	<u>608,333</u>	<u>2,504,507</u>
G. By large exposure				
Non large exposure	<u>1,329,785</u>	<u>5,432,172</u>	<u>608,333</u>	<u>2,504,507</u>

A "large exposure" is defined under NBC Prakas as the overall gross exposure of the aggregate balance of loans and advances with one single beneficiary, which exceeds 10% of the Company's net worth. The exposure is the higher of the outstanding loans or commitments and the authorised loans or commitments.

H. By interest rate per annum

	2023	2022
Loans to staff	6.5-10%	6.5-10%
Loans to customers	<u>9.0-15%</u>	<u>9.0-15%</u>

8. STATUTORY DEPOSIT

According to NBC's Prakas No. B7-00-06 dated 11 January 2000 and Prakas No. B7-06-209 dated 13 September 2006, the Company is required to maintain a statutory deposit of 5% of its registered capital in a permanent account with the NBC. The deposit is not available for the Company's daily operation and is refundable when the Company voluntarily liquidates its activities and has no deposit liabilities. This statutory deposit is subjected to the following conditions:

- Deposit in Riel will bear interest at 1/2 of refinancing rate set by the NBC. The interest payment shall be settled semi-annually.
- Deposit in foreign currency will bear interest at 3/8 SIBOR. The interest payment shall be settled semi-annually. The NBC will notify the Company of the applicable rate for the relevant period.

	2023		2022	
	USD	KHR'000	USD	KHR'000
Statutory deposit	<u>150,000</u>	<u>612,750</u>	<u>150,000</u>	<u>617,550</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

9. SHARE CAPITAL

Details as follows are based on the Articles of Incorporation of the Company:

	2023 and 2022	
	No. of shares	Equivalent to USD
Ordinary shares		
Issued and fully paid (USD2,000 par value per share (equivalent to KHR8,000,000))		
At 1 January/31 December	1,500	3,000,000
(KHR'000)	<u>1,500</u>	<u>3,000,000</u>
		<u>12,000,000</u>

10. INTEREST INCOME

	2023		2022	
	USD	KHR'000	USD	KHR'000
Interest incomes from:				
- short-term loans	97,106	399,106	23,842	97,442
- long-term loans	57,429	236,033	40,036	163,627
	<u>154,535</u>	<u>635,139</u>	<u>63,878</u>	<u>261,069</u>

11. OTHER OPERATING INCOME

	2023		2022	
	USD	KHR'000	USD	KHR'000
Interest income from statutory deposit	2,383	9,794	60	245
Fees and commissions	9,729	39,986	5,014	20,492
Others	71	292	262	1,071
	<u>12,183</u>	<u>50,072</u>	<u>5,336</u>	<u>21,808</u>

12. PERSONNEL EXPENSES

	2023		2022	
	USD	KHR'000	USD	KHR'000
Salaries and bonus	83,131	341,668	87,074	355,871
Other employee benefits	14,990	61,609	14,659	59,912
	<u>98,121</u>	<u>403,277</u>	<u>101,733</u>	<u>415,783</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

13. GENERAL AND ADMINISTRATIVE EXPENSES

	2023		2022	
	USD	KHR'000	USD	KHR'000
Office rental expense to related party	24,720	101,599	24,720	101,031
Professional and license fees	14,488	59,546	12,496	51,071
Repair and maintenance	3,473	14,274	130	531
Utility expenses	3,704	15,223	1,876	7,667
Security expense	3,159	12,983	3,218	13,152
Internet and telephone charge	2,993	12,301	3,025	12,363
Insurance expense	2,520	10,357	1,573	6,429
Membership fee	2,276	9,354	2,390	9,768
Stationery and printing expenses	1,071	4,402	1,550	6,335
Marketing and Advertising expenses	432	1,776	532	2,174
Entertainment expense	148	608	985	4,026
Donation expense	100	411	250	1,022
Others	9,887	40,637	4,099	16,752
	<u>68,971</u>	<u>283,471</u>	<u>56,844</u>	<u>232,321</u>

14. INCOME TAX EXPENSES

Reconciliation of income tax:

The reconciliation of income tax computed at the statutory tax rate to the Company's income tax expense is as follows:

	2023		2022	
	USD	KHR'000	USD	KHR'000
Loss before tax	(37,227)	(153,003)	(113,163)	(462,498)
Tax at Cambodian statutory tax rate of 20%	(7,445)	(30,601)	(22,633)	(92,500)
Tax effects in respect of:				
Expenses not deductible for tax purposes	6,012	24,711	4,829	19,735
Deferred tax assets not recognised	1,433	5,890	17,804	72,765
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

In accordance with Cambodian tax law, the Company has an obligation to pay tax on profit at 20% (2022: 20%) of the taxable profit or minimum tax at 1% (2022: 1%) of total turnover, whichever is higher.

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

	2023		2022	
	USD	KHR'000	USD	KHR'000
Unused tax losses				
-Expired by 31 December 2024	91,232	374,964	97,940	400,280
-Expired by 31 December 2025	94,542	388,568	91,232	372,866
-Expired by 31 December 2026	89,464	367,697	94,542	386,392
-Expired by 31 December 2027	89,020	365,872	89,464	365,641
-Expired by 31 December 2028	7,167	29,456	89,020	363,824
	<u>371,425</u>	<u>1,526,557</u>	<u>462,198</u>	<u>1,889,003</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

14. INCOME TAX EXPENSES (CONTINUED)

Deferred tax asset has not been recognised in respect of the unused tax losses as it was not probable that the taxable profits of the Company would be available against the deductible temporary difference.

The unused tax losses are subjected to be reviewed and agreed by General Department of Taxation.

Tax losses incurred in any tax year can be carried forward to offset against profit realised in the following five tax years' subject to the following conditions:

- The loss must be recorded in the Tax on Profit return and submitted to the GDT on time;
- The business objective of the Company must not have changed; and
- The Company must not have received a unilateral tax reassessment.

15. RELATED PARTIES

Significant related party balances and transactions

Significant related party transactions in the financial statements are as follows:

	2023		2022	
	USD	KHR'000	USD	KHR'000
Office rental expense with related party	24,720	101,599	24,720	101,031

Information on related party balance is disclosed as follows:

	2023		2022	
	USD	KHR'000	USD	KHR'000
Staff loans (Note 7)	58,044	237,110	74,340	306,058

16. LEASE COMMITMENTS - AS LESSEE

Future minimum rental payable under non-cancellable operating leases at the reporting date is as follows:

	2023		2022	
	USD	KHR'000	USD	KHR'000
Not more than 1 year	12,360	50,491	24,720	101,031
Later than 1 year but not later than 5 year	-	-	12,360	50,515
	<u>12,360</u>	<u>50,491</u>	<u>37,080</u>	<u>151,546</u>

The Company entered into an operating lease agreement for its office space which runs for a period of 2 years, with an option to renew the lease after that date.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

17. TAXATION CONTINGENCIES

The taxation system in Cambodia is characterised by numerous taxes and frequently changing legislation, which is often unclear and subject to interpretation. Often different interpretation exists among numerous taxation authorities and jurisdiction. 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. Management believes that tax liabilities have been adequately provided based on its interpretation of tax legislations. However, the relevant authorities may have differing interpretations and effects could be significant.

18. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Company for the year ended 31 December 2023 were authorised for issue by the directors dated 23 July 2024.

Ref:GA/010010724/P019-0040/KMT

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PG DEVELOPMENT PLC.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PG Development Plc. (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policy, as set out on pages 4 to 18.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the financial year then ended in accordance with the Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs").

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Annual Report and Directors' Report (but does not include the financial statements of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and other sections included in the annual report, which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information 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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with the CIFRS for SMEs. Management is also responsible for such internal controls as the management determines are 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 these 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.
- 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.

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

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of the 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 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.

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



Baker Tilly (Cambodia) Co., Ltd.
Certified Public Accountants

Phnom Penh, Kingdom of Cambodia

Date: **23 JUL 2024**



Oknha Tan Khee Meng
Certified Public Accountant