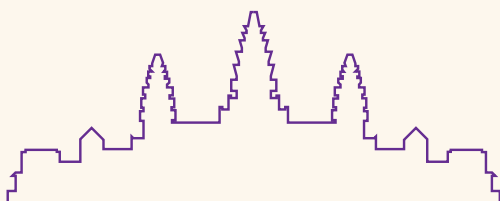




ANNUAL REPORT 2015

NOW WE ARE

SPECIALIZED BANK



ធនាគារឯកទេស អ៊ីអេន (ខេមបូឌា) ភីអិលស៊ី
AEON SPECIALIZED BANK (CAMBODIA) PLC.

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AEON FINANCIAL SERVICE GROUP NETWORK

Our Management Philosophy is to

“
SUPPORT CUSTOMERS LIFESTYLE AND ENABLE
EACH INDIVIDUAL TO MAXIMIZE FUTURE OPPORTUNITIES
THROUGH EFFECTIVE USE OF CREDIT.”



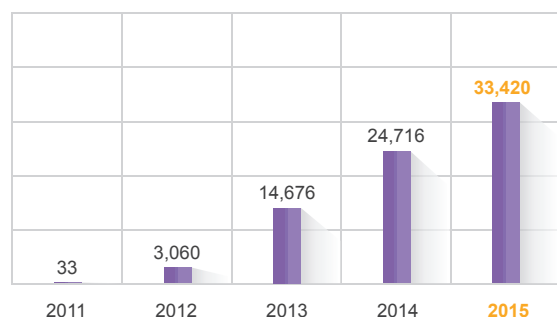
OUR BACKGROUND

The Company was incorporated as a private limited company in Cambodia on 05 October, 2011 under Registration No. Co.2380 E/2011 issued by the Ministry of Commerce. On 07 October 2011, the Company obtained its license as a micro-finance institution from the National Bank of Cambodia on 21 November 2011. As a micro finance institution, the company was the first to offer unsecured Installment Services such as home appliances, motor bikes, mobile phones, Personal Loan and agriculture machinery. On 26 October 2015, the Company obtained a specialized bank's license from the National Bank of Cambodia. Since then the Company has transformed into a specialized bank and started issuing credit card as our business expansion.

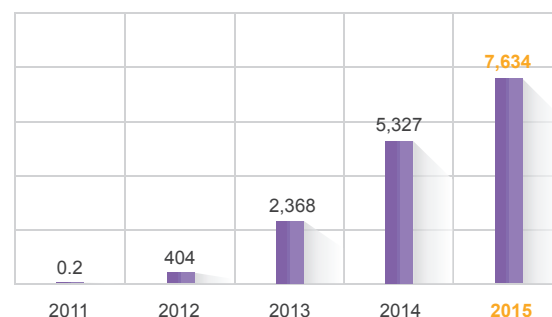
AEON Thana Sinsap (Thailand) Public Company Limited, a listed company in Thailand, owns 80% shares of the company while another 20% is owned by AEON Financial Service Co., Ltd., a listed company in Japan.

KEY FINANCIAL DATA

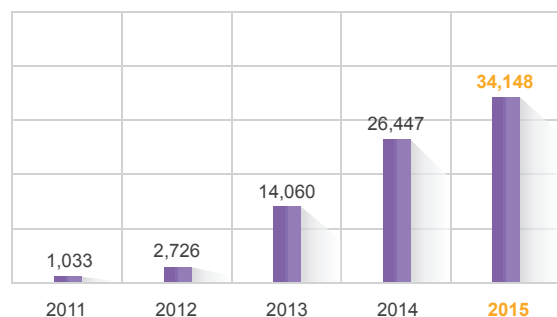
► Total Sales (Unit: '000 USD)



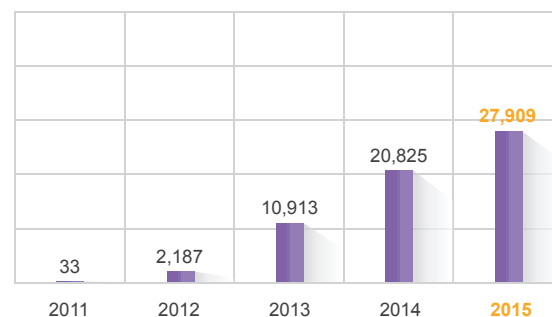
► Total Revenue (Unit: '000 USD)



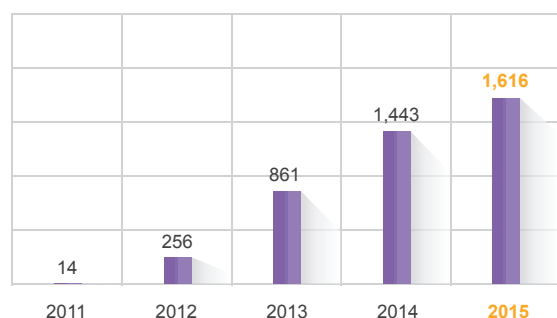
► Total Asset (Unit: '000 USD)



► Accounts Receivable (Unit: '000 USD)



► Number of partner shops (Unit: partner shop)



► Number of Applicants (unit: customer)



**Mr. Daisuke Maeda**

Vice-Chairman of the Board and Managing Director

MESSAGE FROM MANAGEMENT

By transformation into a specialized bank, we will continuously provide innovative retail financial services to Cambodian customers to meet the demand of “FASTER, SIMPLER and MORE CONVENIENT”.

We, AEON Specialized Bank (Cambodia) Plc. are standing on the basic principle of “Pursuing Peace, Respecting Humanity and Contributing to local communities while considering customer's point of view as our priority”. Our management philosophy is to “Support customer's life styles and enable each individual to maximize future opportunity through effective use of credits”. We would like to keep on providing various retail financial services to Cambodian communities.

We are one of the members of the financial groups starting as a retail company known as “AEON Financial Service”, which provides financial services in Japan and in 11 different countries in Asia. In December 2011, we started micro finance business focusing mainly on home appliance installments in Cambodia. Since then, our business has been expanding steadily due to increased customer's supports.

In 2015, 2 satellite offices were launched in Banteay Meanchey and Takeo province on top of our branches in Phnom Penh, Siem Reap, Battambang and Kampong Cham. And the number of partner shops with home appliance, mobile phone, motorbike and agriculture machinery installments increased to 173 shops and reached a total of 1,616 shops.

The unsecured Personal Loan, which we are the first start in Cambodia has achieved market penetration and the transaction volume of Personal Loan has increased to USD 9.45 million (188% compared to last year).

Through these activities, we have achieved increasing revenue and profits for 4 consecutive years. In 2015, our revenue increased to USD 7.63 million (143% compared to last year), operating profit increased to USD 1.41 million (135% compared to last year) while net profit also increased to USD 1.05 million (121% compared to last year).

In order to provide more convenient financial services to customers, we have obtained “Specialized Bank” license from the National Bank of Cambodia in October 2015 and has transformed into “AEON Specialized Bank (Cambodia) Plc.” in February 2016 and started issuing credit cards. Although we have been providing installment services as pioneer, we will provide more convenient financial service by issuance of credit cards.

We consider contribution to Cambodian social development and enriching people way of life as parts of our social responsibilities.

BOARD OF DIRECTORS



Mr. Yasuhiko Kondo

POSITION Chairman of the Board

BORN (year) 1960

EDUCATION:

Bachelor Degree of Art in Psychology, Chukyo University, Japan



Mr. Daisuke Maeda

POSITION Vice-chairman of the Board Directors and Managing Director

BORN (year) 1976

EDUCATION:

Bachelor of Mass Communication, Kansai University, Japan



Mr. Keiji Nakagawa

POSITION Executive Director

BORN (year) 1972

EDUCATION:

Bachelor's degree in Department of English Language, Waseda University, Japan



Mr. Kozo Tsushiro

POSITION Non-Executive Director

BORN (year) 1975

EDUCATION:

Bachelor of Engineering Degree at Fukuoka University, Japan

2013 - Present:

Chairman of the Board, AEON Specialized Bank (Cambodia) Plc. (AEON Microfinance (Cambodia) Co., Ltd.)

2013 - Present:

Director, AEON (Thailand) Co., Ltd.

2013 - 2014:

Chairman of the Board, AEON Leasing Service (Lao) Co., Ltd.

2012 - 2015:

Chairman of the Board, AEON Microfinance (Myanmar) Co., Ltd.

2012 - Present:

Chairman of the AEON Thailand Foundation

2011 - 2014:

Chairman of the Board, ACS Servicing (Thailand) Co., Ltd.

2011 - 2014:

Chairman of the Board, AEON Insurance Service (Thailand) Co., Ltd.

2011 - 2014:

Chairman of the Board, ACS Capital Corporation Ltd.

2011 - Present:

Vice Chairman of the Board and Managing Director, AEON Thana Sinsap (Thailand) Plc.

1999 - 2011:

Director AEON Financial Service Co., Ltd.

2011 - Present:

Vice-chairman of the Board and Managing Director, AEON Specialized Bank (Cambodia) Plc. (AEON Microfinance (Cambodia) Co., Ltd.)

2009 - Present:

Chief Representative, ACS Corporation Limited (Representative office in Cambodia)

2008 - 2009:

Senior Vice President Head of Marketing & Sale, AEON Thana Sinsap (Thailand) Plc.

2015 - Present:

Board of Directors, AEON Specialized Bank (Cambodia) Plc. (AEON Microfinance (Cambodia) Co., Ltd.)

2014 - 2015:

Vice President of Marketing & Sales Department, AEON Microfinance (Cambodia) Co., Ltd.

2013 - 2014:

Senior Manager / Marketing Department, AEON Credit Service (Asia) Co., Ltd.

2011 - 2013:

Managing Director, Hayashiroku (Hong Kong) Ltd.

1997 - 2011:

Assistant Vice President, JCB Co. Ltd.

2002 - 2008:

Senior Manager / Marketing, JCB International (Asia) Ltd. (in Hong Kong).

2015 - Present:

Senior Executive Vice President of Corporate Planning Office, AEON Thana Sinsap (Thailand) Plc.

2014 - Present:

Board of Directors, AEON Specialized Bank (Cambodia) Plc. (AEON Microfinance (Cambodia) Co., Ltd.)

2014 - 2015:

Executive Vice President of Corporate Planning Office, AEON Thana Sinsap (Thailand) Plc.

2014 - Present:

Auditor AEON Leasing Service (Lao) Co., Ltd

2012 - 2014:

Vice President of Corporate Planning Office, AEON Thana Sinsap (Thailand) Plc.

2009 - 2012:

Assistant Vice President of Corporate Planning Office, AEON Thana Sinsap (Thailand) Plc.

ADVISORY



Mr. Om Seng Bora

POSITION Independent Director

BORN (year) 1977

EDUCATION:

Master Degree in Business Administration from Preston University, United States



Mrs. Khieu Mealy

POSITION Independent Director

BORN (year) 1964

EDUCATION:

Candidate of Master of Private Business Law with Royal University of Law and Economics, Cambodia in collaboration with the University of Bruxelles (ULB), University of Paris 8. Bachelor of Law at National Institute of Management and Royal University of Law and Economic.



H.E. Sok Siphana

POSITION Advisory

BORN (year) 1960

EDUCATION:

Juris Doctor (J.D.), Widener University School of Law, Delaware, (USA), Doctor of Philosophy (Ph.D.), Bond University School of Law, Queensland (Australia); Currently pursuing another Ph.D. degree at the University of Paris 2, Pantheon-Assas on Comparative Laws.

2015 - Present:

Founder & Chairman of Quality Career Institute of Cambodia

2015 - Present:

Founder & Chairman of CEO Master Club

2015 - Present:

Founder & Director of Thonori

2015 - Present:

Founder & Director of Real Estate Master Club

2014 - Present:

Founder & Chairman of CEG Plc.

2014 - Present:

Independent Board of Director of Rural Development Bank

2013 - Present:

Independent Board of Director, Phnom Penh Water Supply Authority

2013 - Present:

Co-founder & Former Board of Director of Cambodia Investors Club

2013 - Present:

Board of Director of Start-up Business Network

2012 - Present:

Member of Cambodia Chamber of Commerce

2011 - Present:

Independent Director, AEON Specialized Bank (Cambodia) Plc. (AEON Microfinance (Cambodia) Co., Ltd.)

2016 - Present:

Council Member of ASEAN IPA

2014 - Present:

Independent Director, AEON Specialized Bank (Cambodia) Plc. (AEON Microfinance (Cambodia) Co., Ltd.)

2014 - Present:

Board member of Nokor Tep Women Cancer Hospital

2013 - Present:

Founding Member of the National Commercial Arbitration Center

2012 - Present:

Chairperson of Song Saa Foundation, a NGO involving with coastal conservative area

2009 - Present:

Partner of SokSiphana & associates Law Firm

2009 - Present:

Advisor of the Royal Government of Cambodia (with rank of Minister), attached concurrently to the Ministry of Foreign Affairs and International Cooperation, the Supreme National Economic Council, and the Council for the Development of Cambodia

2009 - Present:

Managing Partner, SokSiphana & associates, a member of ZICOLaw.

2011 - Present:

Chairman of the Board of Cambodia Development Resource Institute (CDRI), Cambodia's oldest and prominent independent research institute.

2009 - Present:

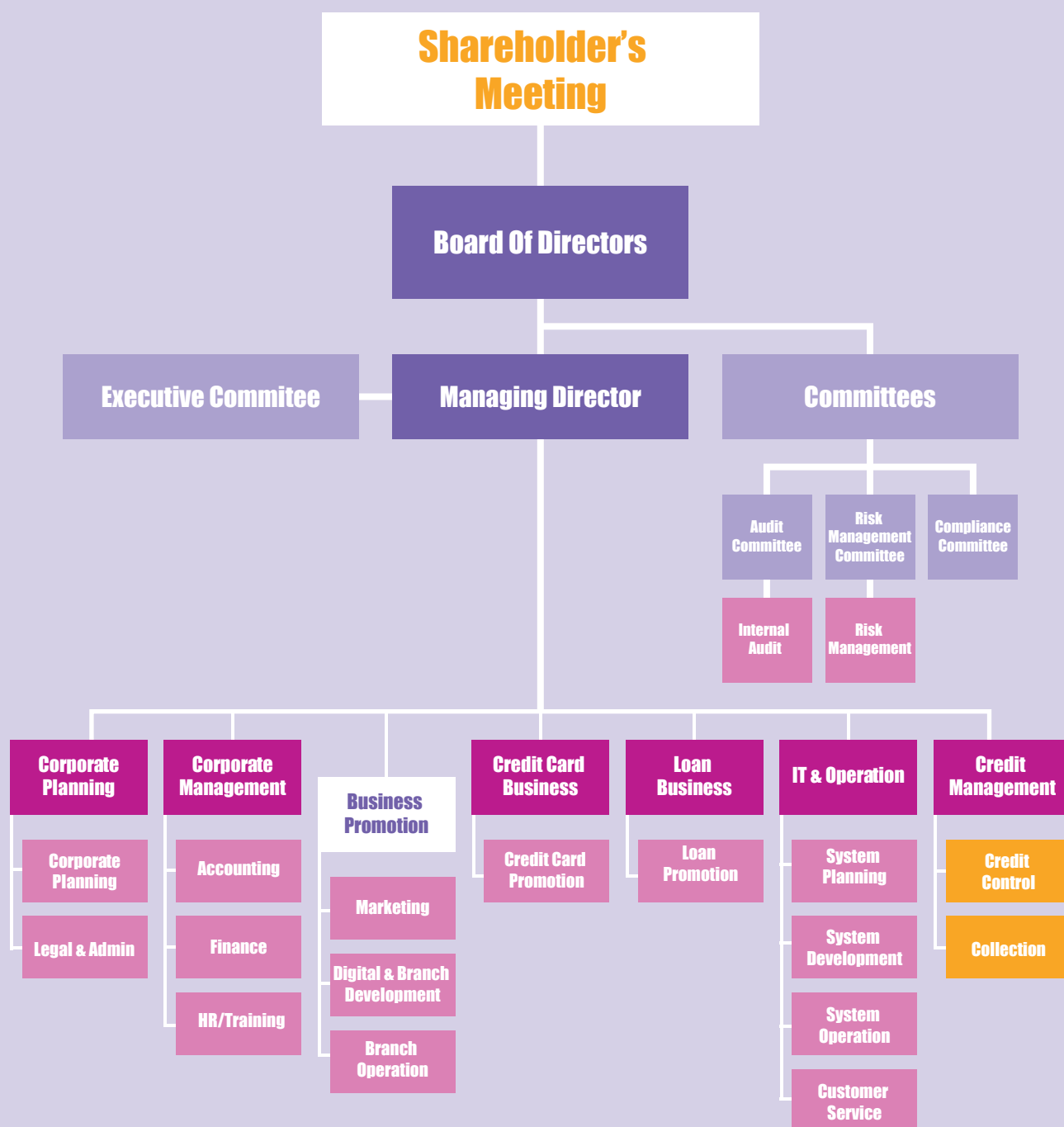
Occasional Lecturer of Laws and Policies at the Royal University of Law and Economics (RULE); Royal School of Administration (Ecole Royal d'Administration (ERA); Finance Institute of Cambodia (FIC).

2014 - Present:

Advisory, AEON Specialized Bank (Cambodia) Plc. (AEON Microfinance (Cambodia) Co., Ltd.)

ORGANIZATION CHART





Department

Division

Group

Section

CORPORATE HISTORY

2011

- Oct** Establish AEON Microfinance (Cambodia) Co., Ltd.
- Nov.** Obtain the Microfinance Institution License
- Dec.** Launch installment service



2012

- Jan.** Launch Mobile phone installment service
- Jul.** Launch Motorcycle installment service



2013

- Apr.** Positive turnaround in monthly basis
- May.** Launch Agriculture Machine installment service
- Jun.** Siem Reap branch opening
- Sep.** Launching Member Card
- Dec.** Chamkamom branch opening



2014

- Mar.** Launch Personal Loan service
- May.** Battambang branch opening
- May.** Phnom Penh Head Office relocation
- Jun.** AEON Mall branch opening
- Jun.** Start the Point card service provider business for AEON Phnom Penh
- Sep.** Start Agriculture installment seasonal payment
- Oct.** Kampong Cham branch opening



2015

- Mar.** Launch Insurance installment with Forte
- May.** Banteay Meanchey Satellite office opening
- Jul.** Takeo Satellite Office Opening
- Oct.** Obtain the Specialized Bank License
- Nov.** Launch Tablet application



TRANSFORMATION TO AEON SPECIALIZED BANK



The company received “Specialized Bank” license from the National Bank of Cambodia on 26 October 2015 and transformed into AEON Specialized Bank (Cambodia) Plc. on 1st February 2016.

Since then, the company started launching Credit Card in April 2016. Despite the fact that the use of Credit Card still limited in Cambodia, the company will strive to expand Credit Card market and provide more convenient services to customers in Cambodia. And the company is currently cooperating with AEON Mall and working closely with business partners to make our Credit Card more attractive and convenient.



(Specialized Bank License)

BUSINESS HIGHLIGHT 2015

Installment Service

In 2015, total sales of Installment Service reached USD 23.9 million (122% compared to last year).

In 2015, the company started to expand financial services on Insurance Installments with Forte Insurance in March to provide Installment Service for personal insurance products to contribute to penetrate personal insurance more to Cambodian people. And to provide quicker services and improve operational efficiency, the company has developed Tablet Application which enables customer to apply Installment Service by tablet devices in November 2015 to promote digitalization and paper-less. Since digitalization is one of our priorities, the company will continuously introduce advanced technology into our operation to provide more convenient services.

The company has expanded operating networks with partner shops throughout 2015, gaining a total of 1,616 shops, especially focusing on agriculture machinery shops nationwide in order to penetrate our agriculture installment service since the company's intention is to offer the service to farmers who have never had access to our financial services so far. In order to satisfy demands of customers and shops with assessment speed of agriculture Installment Service, the company has organized a team for assessing agriculture installments for quicker services.



Personal Loan Service

The company has been providing Personal Loan service since March 2014. Since the Company's unsecured Personal Loan does not require collateral or guarantors from customers, our service is accepted by customers. At the same time we have also been trying to promote Personal Loan. As a result, the total sales of Personal Loan reached USD 9.45 million (188% compared to last year).



New Branch Opening

In 2015, the company opened 2 satellite offices in Takeo and Banteay Meanchey provinces which are well known for agricultural products so that we could respond to customer demands of increasing popularity of agricultural machinery installments and the existing services and expand our retail financial services in addition to the 6 existing fully operational branches including Phnom Penh branch, AEON Mall branch, Sovanna branch, Kampong Cham branch, Siem Reap branch, and Battambang branch.

BUSINESS PERSPECTIVE 2016

The company has transformed into Specialized Bank in February 2016 entering to new market as Credit Card business. The number of Credit Cards issued in Cambodia is about only 40,000 cards. Therefore, there is still more potential for us to expand Credit Card service in the market. Also the company will utilize the know-how of Credit Card issuing accumulated at Group Company in Japan, Hong Kong, Thailand and Malaysia and also the accumulated know-how from our existing unsecured Installment Service in order to offer more convenient services.

Currently, Credit Card issuers in Cambodia are mostly requiring security deposit. We are proud to have introduced AEON Gold Card and AEON Violet Card to the Cambodian market as it has worldwide acceptance at any merchants that accept Visa without requiring collateral deposit along with easy application requirements and processes. This way, applicants can easily enjoy the Credit Card. Also the company has offered beneficial privileges and program for our Credit Card holders such as AEON Thanks Day, Happy Plus Point Program and also the company is expanding its alliance with partner shops such as restaurants and cafe so on.



Privileges

AEON Cardholders can enjoy many exclusive benefits by making payments with AEON Card:

- 5% off on **AEON Thanks Day** – 20th and 30th of every month at AEON Supermarket
- Discounts up to 20% at **AEON Alliance Partners**
- Saving **Happy Plus Point** by using the Credit Card to redeem for vouchers and premium gifts

The company is also planning to upgrade its existing branches into a pioneer in applying high-tech and innovative digital concepts that offer faster and more customer-friendly operation.



▶ AEON THANKS DAY



▶ AEON HAPPY PLUS POINT PROGRAM

INTERNAL CONTROL

Company's Compliance

The company understands that acting within the financial sector, compliance is very important role for the success of the company. Our staff's internal compliance is regularly monitored and since its transformation from microfinance to specialized bank, the company has been strengthening the compliance structure. The company pays much attention to "Preparation of Policy and Manual", "Personal Data Protection", "Code of Conduct" and other compliance issues where deemed necessary for the international standards of a bank. Beside this, our Legal and Compliance team also pays a lot of attention to "Corporate Compliance" with the regulations of the Kingdom of Cambodia to ensure that the company fully complies with the laws. In addition the company hired an external consulting firm for assistance. The company has created a structure of "monthly legal update" in which the company regularly monitors the update of all laws, regulations and prepare ourselves for all changes required by law. On the monitoring basis of the enforcement, such updates are regularly observed as well as revising existing internal policies. The company also created the "Corporate Calendar" which records all necessary items to be reported to relevant authorities, and the company uses this calendar to monitor the full enforcement of our compliance system. And the "Annual Compliance Training" has provided to all staff on an annual basis, to update them on any changes and to give them the opportunity to participate in strengthening the Compliance System.



RISK MANAGEMENT

The company considers risk management as an important element of the business and embeds strong risk culture in its day-to-day business operations. Understanding the importance of risk management to sustainable growth, the Risk Management team is involved in all stages of the risk management process to provide an independent view and input including overseeing, planning and conducting its own risk management. The company has been conducted monthly regional risk management meeting among Japan, Thailand, Myanmar and Laos which are group financial companies in Mekong region to monitor credit risk, market risk, liquidity risk and operational risk and also to advise each other.

The Risk Management Committee is chaired by the board of directors to conduct comprehensive studies, discussions and information sharing with overseas group companies, including headquarters in Japan and Thailand in order to improve and challenge the risk management practices. This committee meets every month to ensure that the company operates with a sound, effective and efficient risk management system.

CORPORATE SOCIAL RESPONSIBILITY



Clean City (October, 2015)



Water Well Digging (May, 2015)



Clean City (July, 2015)



Tree Planting (June, 2015)

As a Cambodian corporate citizen, the company recognizes the significance of our mission to serve as a leader in part of the economy, as well as our social responsibilities. The company offers scholarships to university students, and undertakes tree planting and well digging activities with AEON group companies.

In 2015 the company focused on supporting a clean green environment with regular and ongoing initiatives. The company started the Clean City activity with approximately 80 staff in the Phnom Penh area, and all the provincial branches, in cooperation with the Ministry of Tourism. This was followed by the Clean Beach activity with participants and volunteers totaling 420 people.

From 2016, the number of participants taking part in the clean city activity will be increased and recycling activity will be started at head office. Through these activities, the company would like to search for a better way to make a contribution to Cambodian society and to enhance dependability.



Clean Beach (November, 2015)



Clean Beach (November, 2016)

Report of the independent auditors

To the shareholders

AEON Microfinance (Cambodia) Co., Ltd.

We have audited the accompanying financial statements of AEON Microfinance (Cambodia) Co., Ltd. ("the Company"), which comprise the balance sheet as at 31 December 2015, and the income statement, the statements of changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out on pages 15 to 38.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of AEON Microfinance (Cambodia) Co., Ltd. as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with Cambodian Accounting Standards and the guidelines of the National Bank of Cambodia relating to the preparation and presentation of the financial statements.

For KPMG Cambodia Ltd



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia
14 March 2016

Balance sheet as at 31 December 2015

		2015		2014	
	Note	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
ASSETS					
Cash on hand		153,789	622,846	179,065	729,690
Balances with the National Bank of Cambodia	5	501,825	2,032,391	201,399	820,701
Balances with other banks	6	835,880	3,385,314	686,790	2,798,669
Loans to customers	7	27,161,223	110,002,953	20,408,370	83,164,108
Other assets	8	1,448,521	5,866,509	1,057,285	4,308,436
Property and equipment	9	1,337,460	5,416,713	1,544,937	6,295,618
Intangible assets	10	2,650,537	10,734,675	2,316,744	9,440,732
Deferred tax assets, net	12(a)	59,253	239,975	53,215	216,851
TOTAL ASSETS		34,148,488	138,301,376	26,447,805	107,774,805

Liabilities And Shareholders' Equity

		2015		2014	
	Note	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Liabilities					
Accounts payable and accrued expenses	11	716,929	2,903,562	590,251	2,405,273
Current income tax liability	12(b)	280,305	1,135,235	176,353	718,638
Due to related parties	21	204,278	827,326	91,501	372,866
Borrowings	13	21,890,000	88,654,500	20,730,000	84,474,750
Total liabilities		23,091,512	93,520,623	21,588,105	87,971,527
Shareholders' equity					
Share capital	14	10,000,000	40,500,000	4,000,000	16,300,000
Retained earnings		1,056,976	4,280,753	859,700	3,503,278
Total shareholders' equity		11,056,976	44,780,753	4,859,700	19,803,278
LIABILITIES AND SHAREHOLDERS' EQUITY		34,148,488	138,301,376	26,447,805	107,774,805

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

Income statement for the year ended 31 December 2015

		2015		2014	
	Note	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest income	15	7,280,973	29,487,941	5,035,805	20,520,905
Interest expense	13	(359,815)	(1,457,251)	(217,835)	(887,678)
Net interest income		6,921,158	28,030,690	4,817,970	19,633,227
Fees, commissions and other income	16	352,486	1,427,568	292,527	1,192,048
Operating profit		7,273,644	29,458,258	5,110,497	20,825,275
Allowance for losses on loans to customers	7	(804,186)	(3,256,953)	(458,894)	(1,869,993)
Other operating expenses	17	(5,051,905)	(20,460,215)	(3,602,982)	(14,682,152)
Profit before income tax		1,417,553	5,741,090	1,048,621	4,273,130
Income tax expense	12(c)	(360,677)	(1,460,742)	(173,940)	(708,806)
Net profit for the year		1,056,876	4,280,348	874,681	3,564,324

Statement of changes in equity for the year ended 31 December 2015

	Share Capital US\$	Retained earnings US\$	Total US\$
At 1 January 2015	4,000,000	859,700	4,859,700
Share issued during the year	6,000,000	-	6,000,000
Dividends distributions	-	(859,600)	(859,600)
Net profit for the year	-	1,056,876	1,056,876
At 31 December 2015	10,000,000	1,056,976	11,056,976
(KHR'000 equivalents) (Note 4)			
At 31 December 2015	40,500,000	4,280,753	44,780,753
At 1 January 2014	4,000,000	(14,981)	3,985,019
Net profit for the year	-	874,681	874,681
At 31 December 2014	4,000,000	859,700	4,859,700
(KHR'000 equivalents) (Note 4)			
At 31 December 2014	16,300,000	3,503,278	19,803,278

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

Statement of cash flows for the year ended 31 December 2015

		2015		2014	
	Note	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash flows from operating activities					
Net cash used in operating activities	18	<u>(5,457,415)</u>	<u>(22,102,531)</u>	<u>(7,114,462)</u>	<u>(28,991,433)</u>
Cash flows from investing activities					
Acquisition of property and equipment	9	(194,709)	(788,571)	(1,499,015)	(6,108,486)
Acquisition of intangible assets	10	<u>(524,036)</u>	<u>(2,122,346)</u>	<u>(2,035,538)</u>	<u>(8,294,817)</u>
Net cash used in investing activities		<u>(718,745)</u>	<u>(2,910,917)</u>	<u>(3,534,553)</u>	<u>(14,403,303)</u>
Cash flows from financing activities					
Proceeds from borrowings	13	86,810,000	351,580,500	65,020,000	264,956,500
Repayment of borrowings	13	(85,650,000)	(346,882,500)	(54,070,000)	(220,335,250)
Dividend paid		(859,600)	(3,481,380)	-	-
Share capital contribution		<u>6,000,000</u>	<u>24,300,000</u>	<u>-</u>	<u>-</u>
Net cash generated from financing activities		<u>6,300,400</u>	<u>25,516,620</u>	<u>10,950,000</u>	<u>44,621,250</u>
Net increase in cash and cash equivalents		124,240	503,172	300,985	1,226,514
Cash and cash equivalents at beginning of the year		<u>867,254</u>	<u>3,512,379</u>	<u>566,269</u>	<u>2,307,546</u>
Cash and cash equivalents at end of the year	19	<u>991,494</u>	<u>4,015,551</u>	<u>867,254</u>	<u>3,534,060</u>

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

Notes to the financial statements for the year ended 31 December 2015

1. Reporting entity

AEON Microfinance (Cambodia) Co., Ltd. ("the Company") is a licensed micro-finance institution ("MFI") incorporated and registered in the Kingdom of Cambodia.

The Company was incorporated as a private limited liability company in Cambodia on 5 October 2011 under Registration No. Co.2380 E/2011 issued by the Ministry of Commerce. On 7 October 2011, the Company obtained its license as a micro-finance institution from the National Bank of Cambodia ("NBC") dated 21 November 2011. The Company was initially wholly-owned by AEON Thana Sinsap (Thailand) Public Company Limited, a company registered in Thailand. The ultimate parent company is AEON Co., Ltd., a company registered in Japan.

On 26 October 2015, the Company obtained a specialized banking license from the NBC to operate as a specialized bank with the permanent validity. On 24 December 2015, the Company sent a letter to the NBC to delay the adoption of the guidelines of the NBC relating to the preparation and presentation of financial statements as at 31 December 2015 as the specialized bank. The request has been approved by the NBC on 17 February 2016.

On 1 February 2016, the Company obtained the approval from the Ministry of Commerce on the changes in the Company's name from AEON Microfinance (Cambodia) Co., Ltd to AEON Specialized Bank (Cambodia) Plc. and shareholding structure to 80% owned by AEON Thana Sinsap (Thailand) Public Company Limited and 20% owned by AEON Financial Service Co., Ltd.

The principal activities of the Company are as follows:

- Microfinance operations such as lending and credit card;
- Lending services in the form of hire-purchase (instalment) and loan;
- Borrowing of funds and mobilising savings as appropriate subject to compliance with NBC's regulations; and
- Other business-related services subject to the approval by the NBC.

The head office of the Company is located at Building No. 721, Monivong Blvd, Sangkat Boeung Keng Kang III, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

As at 31 December 2015, the Company had 434 employees (2014: 396 employees).

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Cambodian Accounting Standards ("CAS") and the guidelines of the National Bank of Cambodia ("NBC") relating to the preparation and presentation of financial statements.

The financial statements of the Company were authorised for issue by the Board of Directors on 14 March 2016.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

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

(d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

3. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Financial instruments

The Company's financial assets and liabilities include cash and cash equivalents, originated loans and receivables, deposits, other receivables, borrowings and payables. The accounting policies for the recognition and measurement of these items are disclosed in the respective accounting policies.

(b) Cash and cash equivalents

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

(c) Deposits and placement with banks

Deposits and placements with banks are stated at cost.

(d) Statutory deposits

Statutory deposits included in balances with the NBC are maintained in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by the defined percentage of the minimum share capital.

(e) Loans to customers

Loans to customers are stated in the balance sheet at the amount of principal outstanding less any amounts written off and specific allowance.

(f) Allowance for bad and doubtful loans

In compliance with the NBC guidelines, a specific allowance for bad and doubtful loans is made on loans that are identified as non-performing as follows:

Classification	Number of days past due	Rate of allowances
Short-term loans (less than one year):		
Sub-standard	30 – 59 days	10%
Doubtful	60 – 89 days	30%
Loss	Over 90 days	100%
Long-term loans (more than one year):		
Sub-standard	30 – 179 days	10%
Doubtful	180 – 359 days	30%
Loss	Over 360 days	100%

The specific allowance is calculated as a percentage of the loans outstanding at the time the loan is classified, excluding accrual interest and is charged as expense. Interest on non-performing loans is not accrued.

Further, management provides additional allowance to loans classified as non-performing that are more than 90 days past due (other than those loans already classified as loss) such that these loans are also fully provided as at reporting date.

The adequacy of the allowance for bad and doubtful loans is evaluated monthly by management. Factors considered in evaluating the adequacy of the allowance include the size of the portfolio, previous loss experience, current economic conditions and their effect on clients, the financial situation of clients and the performance of loans in relation to contract terms.

The allowance will be calculated as a percentage of the loan amount outstanding at the time the loan is classified, excluding accrued interest. The allowance shall be recorded in the Company's accounts and charged to the income statement for the month during which the corresponding loan has been classified below standard.

Recoveries on loans previously written off and reversal of previous allowances are disclosed as other operating income in the income statement.

(g) Interest in suspense

Interest in suspense represents interest on non-performing loans and advances, that is recorded as a allowance rather than income until it is realised on a cash basis.

(h) Other assets

Other assets are carried at cost.

(i) Property and equipment

(i) Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Where an item of property and equipment comprises major components having different useful lives, the components are accounted for as separate items of property and equipment.

(ii) Depreciation of property and equipment is charged to the income statement on a straight-lin basis over the estimated useful lives of the individual assets as follows:

• Leasehold improvements	3 – 10 years
• IT equipment and computers	3 – 5 years
• Office equipment	2 – 3 years
• Furniture and fixtures	5 years

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

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

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

(j) Intangible assets

Intangible assets consist of computer software licenses and related costs and are stated at cost less accumulated amortisation and accumulated impairment losses; if any. Acquired computer software is capitalised on the basis of the cost incurred to acquire the specific software and bring it into use. Intangible assets are amortised on a straight line method over five years.

(k) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. This does not apply to loans to customers which has a separate accounting policy stated in Note 3(f).

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets

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

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

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

(l) Borrowings

Borrowings are stated at cost.

(m) Provisions

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

(n) Income and expense recognition

Interest income on loans is recognised on an accruals basis. Where a loan becomes non-performing, the recording of interest as income is suspended until it is realised on a cash basis. Interest on loans is calculated using the declining balance method on monthly balances of the principal amount outstanding.

Loan administrative fee income is recognised as income when the loan is disbursed to customers. The loan fee income is calculated using the principal and fee rate.

Expenses are recognised on an accrual basis.

(o) Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease commitments are not recognised as liabilities until the obligation to pay becomes due.

(p) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised as a component of shareholders' equity, in which case it is also disclosed as a component of shareholders' equity.

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

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Related parties

Parties are considered to be related to the Company if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Company and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Under the Law on Banking and Financial Institutions, related parties include individuals who hold directly or indirectly a minimum of 10% of the capital of the Company or voting rights therefore, or who participates in the administration, direction, management or the design and implementation of the internal controls of the Company.

4. Translation of United States Dollars into Khmer Riel

The financial statements are stated in United States Dollars ("US\$"). The translations of US\$ amounts into Khmer Riel ("KHR") are included solely for the compliance with the guidelines of the NBC relating to the preparation and presentation of the financial statements and have been made using the prescribed official exchange rate of US\$1: KHR4,050 published by the NBC on 31 December 2015 (31 December 2014: US\$1: KHR4,075). These convenient translations are not audited and should not be construed as representations that the United States Dollars amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

5. Balances with the National Bank of Cambodia

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current account	1,825	7,391	1,399	5,701
Capital guarantee	500,000	2,025,000	200,000	815,000
	<u>501,825</u>	<u>2,032,391</u>	<u>201,399</u>	<u>820,701</u>

Under Prakas No. 87-00-06 on the Licensing of MFIs dated 11 January 2000, the Company is required to maintain a capital guarantee deposit equivalent to 5% of registered capital with the NBC. This deposit is not available for use in the Company's day-to-day operations but is refundable when the Company voluntarily ceases to operate the business in Cambodia.

The capital guarantee deposit earns interest at 1/4 of 6 month LIBOR per annum whereas the current account does not earn interest.

6. Balances with other banks

This pertains to current accounts maintained in US\$ with local banks which do not earn interest.

7. Loans to customers

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans to customers	27,789,949	112,549,293	20,707,485	84,383,001
Staff loans	119,287	483,112	117,555	479,037
Gross loans	27,909,236	113,032,405	20,825,040	84,862,038
Allowance for losses on loans to customers:				
At 1 January	416,670	1,687,513	79,495	323,942
Allowance during the year	804,186	3,256,953	458,894	1,869,993
Written off	(472,843)	(1,915,014)	(121,719)	(496,005)
Allowance at 31 December	748,013	3,029,452	416,670	1,697,930
Loans to customers, net	27,161,223	110,002,953	20,408,370	83,164,108

Loans to customers are analysed as follows:

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(a) By performance:				
Standard loans				
Unsecured	26,964,882	109,207,772	20,301,479	82,728,527
Sub-standard loans				
Unsecured	587,786	2,380,533	316,322	1,289,012
Doubtful loans				
Unsecured	354,181	1,434,433	205,204	836,206
Loss loans				
Unsecured	2,387	9,667	2,035	8,293
	27,909,236	113,032,405	20,825,040	84,862,038
(b) By maturity:				
Within 1 month	275,470	1,115,653	164,502	670,346
1 to 3 months	3,012,465	12,200,483	320,981	1,307,998
3 to 12 months	7,426,339	30,076,673	6,864,886	27,974,410
More than 12 months	17,194,962	69,639,596	13,474,671	54,909,284
	27,909,236	113,032,405	20,825,040	84,862,038
(c) By economic sector:				
Agriculture	5,576,786	22,585,983	2,641,982	10,766,077
Staff loans	119,287	483,112	117,555	479,037
Others (individual)	22,213,163	89,963,310	18,065,503	73,616,924
	27,909,236	113,032,405	20,825,040	84,862,038
(d) By currency:				
US Dollars	27,909,236	113,032,405	20,825,040	84,862,038

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
(e) By residency status:				
Residents	27,909,236	113,032,405	20,825,040	84,862,038
(f) By interest rate (per annum):				
Individual loans	10.02% - 44.4%		6.12% - 46.92%	

8. Other assets

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Interest receivable	671,501	2,719,579	513,949	2,094,342
Rental and other deposits	135,480	548,694	18,481	75,310
Prepayments	108,203	438,222	127,124	518,030
Deposits on computer software	58,189	235,665	24,320	99,104
Others	475,148	1,924,349	373,411	1,521,650
	1,448,521	5,866,509	1,057,285	4,308,436

9. Property and equipment

2015	Leasehold improvements US\$	Furniture and fixtures US\$	Office equipment US\$	IT equipment and computers US\$	Total US\$	Total KHR'000 (Note 4)
Cost						
At 1 January 2015	910,930	83,032	87,897	796,620	1,878,479	7,607,840
Additions	23,585	29,444	16,499	125,181	194,709	788,571
At 31 December 2015	934,515	112,476	104,396	921,801	2,073,188	8,396,411
Less: Accumulated depreciation						
At 1 January 2015	159,236	16,130	34,392	123,784	333,542	1,350,845
Depreciation for the year	236,460	20,327	28,880	116,519	402,186	1,628,853
At 31 December 2015	395,696	36,457	63,272	240,303	735,728	2,979,698
Carrying amounts						
At 31 December 2015	538,819	76,019	41,124	681,498	1,337,460	5,416,713

2014	Leasehold improvements US\$	Furniture and fixtures US\$	Office equipment US\$	IT equipment and computers US\$	US\$	Total KHR'000 (Note 4)
Cost						
At 1 January 2014	138,094	20,546	41,367	181,386	381,393	1,554,177
Additions	774,765	62,486	46,530	615,234	1,499,015	6,108,486
Written off	(1,929)	-	-	-	(1,929)	(7,861)
At 31 December 2014	910,930	83,032	87,897	796,620	1,878,479	7,654,802
Less: Accumulated depreciation						
At 1 January 2014	19,107	5,322	13,485	51,396	89,310	363,938
Depreciation for the year	140,826	10,808	20,907	72,388	244,929	998,086
Written off	(697)	-	-	-	(697)	(2,840)
At 31 December 2014	159,236	16,130	34,392	123,784	333,542	1,359,184
Carrying amounts						
At 31 December 2014	751,694	66,902	53,505	672,836	1,544,937	6,295,618

10. Intangible assets

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cost				
At 1 January	2,459,529	9,961,092	423,991	1,727,764
Additions	524,036	2,122,346	2,035,538	8,294,817
At 31 December	2,983,565	12,083,438	2,459,529	10,022,581
Less: Accumulated amortisation				
At 1 January	142,785	578,279	48,653	198,261
Amortisation for the year	190,243	770,484	94,132	383,588
At 31 December	333,028	1,348,763	142,785	581,849
Carrying amounts				
At 31 December	2,650,537	10,734,675	2,316,744	9,440,732

11. Accounts payable and accrued expenses

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Payable to dealers and suppliers	439,453	1,779,785	371,868	1,515,362
Accrued expenses	120,766	489,102	106,872	435,504
Advance payments from customers	66,758	270,370	64,255	261,839
Tax liabilities	46,649	188,928	26,497	107,975
Interest in suspense	15,630	63,301	-	-
Others	27,673	112,076	20,759	84,593
	<u>716,929</u>	<u>2,903,562</u>	<u>590,251</u>	<u>2,405,273</u>

Tax liabilities include salary tax and other withholding taxes payable.

12. Income tax

(a) Deferred tax assets, net

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

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Deferred tax assets	129,845	525,873	77,139	314,341
Deferred tax liabilities	<u>(70,592)</u>	<u>(285,898)</u>	<u>(23,924)</u>	<u>(97,490)</u>
	<u>59,253</u>	<u>239,975</u>	<u>53,215</u>	<u>216,851</u>

The movement of net deferred tax assets is as follows:

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	53,215	215,522	-	-
Credited to income statement	<u>6,038</u>	<u>24,453</u>	<u>53,215</u>	<u>216,851</u>
At 31 December	<u>59,253</u>	<u>239,975</u>	<u>53,215</u>	<u>216,851</u>

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

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Property and equipment	(70,592)	(285,898)	(23,924)	(97,490)
Allowance for loan losses	116,119	470,282	64,288	261,973
Unearned income	13,352	54,076	12,851	52,368
Unrealised exchange gain/loss	374	1,515	-	-
	<u>59,253</u>	<u>239,975</u>	<u>53,215</u>	<u>216,851</u>

(b) Current income tax liability

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	176,353	714,230	13,593	55,391
Current income tax expense	366,715	1,485,195	227,155	925,657
Income tax paid	(262,763)	(1,064,190)	(64,395)	(262,410)
At 31 December	<u>280,305</u>	<u>1,135,235</u>	<u>176,353</u>	<u>718,638</u>

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

(c) Income tax expense

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current income tax	366,715	1,485,195	227,155	925,657
Deferred tax expense	(6,038)	(24,453)	(53,215)	(216,851)
	<u>360,677</u>	<u>1,460,742</u>	<u>173,940</u>	<u>708,806</u>

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

	2015			2014		
	US\$	KHR'000 (Note 4)	%	US\$	KHR'000 (Note 4)	%
Profit before income tax	1,417,553	5,741,090		1,048,621	4,273,130	
Income tax using statutory rate	283,511	1,148,220	20.0%	209,724	854,625	20.0%
Non-deductible expenses	31,444	127,348	2.2%	25,613	104,373	2.4%
Effect to unrecognised deferred tax in prior years	-	-	(0%)	(49,260)	(200,735)	-4.7%
Prior year under provision	17,008	68,882	(1.2%)	-	-	-4.7%
Others	28,714	116,292	2.0%	(12,137)	(49,457)	-1.2%
Income tax expense	<u>360,677</u>	<u>1,460,742</u>	<u>25.4%</u>	<u>173,940</u>	<u>708,806</u>	<u>16.6%</u>

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

13. Borrowings

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	20,730,000	83,956,500	9,780,000	39,853,500
Additions during the year	86,810,000	351,580,500	65,020,000	264,956,500
Repaid during the year	(85,650,000)	(346,882,500)	(54,070,000)	(220,335,250)
At 31 December	<u>21,890,000</u>	<u>88,654,500</u>	<u>20,730,000</u>	<u>84,474,750</u>

These represent borrowings in US\$ from overseas banks which bear interest at rates ranging from 1.03% to 2.16% (2014: 0.87% to 2.22%) per annum.

Interest expense during the year amounted to US\$359,815 equivalent KHR1,457,251 (2014: US\$217,835 equivalent to KHR887,678 thousand).

14. Share capital

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
10,000,000 shares of US\$1 each:				
Registered, issued and fully paid	<u>10,000,000</u>	<u>40,500,000</u>	<u>4,000,000</u>	<u>16,300,000</u>

15. Interest income

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans to customers	7,255,546	29,384,961	5,016,611	20,442,690
Staff loan	25,059	101,489	19,034	77,563
Capital guarantee	368	1,491	160	652
	<u>7,280,973</u>	<u>29,487,941</u>	<u>5,035,805</u>	<u>20,520,905</u>

16. Fees, commissions and other income

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Fee and other income	353,336	1,431,011	291,220	1,186,722
(Loss)/gain on foreign exchange	(850)	(3,443)	1,307	5,326
	<u>352,486</u>	<u>1,427,568</u>	<u>292,527</u>	<u>1,192,048</u>

17. Other operating expenses

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Personnel	2,212,265	8,959,673	1,643,928	6,699,007
Depreciation and amortisation	592,429	2,399,337	339,061	1,381,674
Promotion and advertising	422,827	1,712,449	341,508	1,391,645
Office rental	359,995	1,457,980	246,002	1,002,458
Travel	227,166	920,022	96,341	392,589
Communication	194,838	789,094	131,785	537,024
Vehicle rental and running costs	190,891	773,109	150,028	611,364
Repairs and maintenance	186,299	754,511	139,260	567,484
Stationeries and printing	171,583	694,911	149,062	607,428
Taxes and licenses	120,052	486,211	60,582	246,872
Utilities	91,628	371,094	62,130	253,180
Insurance	66,985	271,289	49,389	201,260
Professional fees	66,305	268,535	65,431	266,631
Loss on property and equipment written off and disposals	-	-	1,232	5,021
Others	148,642	602,000	127,243	518,515
	<u>5,051,905</u>	<u>20,460,215</u>	<u>3,602,982</u>	<u>14,682,152</u>

18. Net cash used in operating activities

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before income tax	1,417,553	5,741,090	1,048,621	4,273,130
Adjustments for:				
Depreciation and amortisation	592,429	2,399,337	339,061	1,381,674
Allowance for doubtful loans	804,186	3,256,953	458,894	1,869,993
Loss on property and equipment written off	-	-	1,232	5,021
Cash generated from operations	2,814,168	11,397,380	1,847,808	7,529,818
Changes in:				
Balances with the National Bank of Cambodia	(300,000)	(1,215,000)	-	-
Loans to customers	(7,557,039)	(30,606,008)	(10,033,304)	(40,885,714)
Other assets	(391,236)	(1,584,506)	735,244	2,996,119
Accounts payable and accrued expenses	126,678	513,046	322,402	1,313,788
Due to related parties	112,777	456,747	77,783	316,966
	(5,194,652)	(21,038,341)	(7,050,067)	(28,729,023)
Income tax paid	(262,763)	(1,064,190)	(64,395)	(262,410)
Net cash used in operating activities	(5,457,415)	(22,102,531)	(7,114,462)	(28,991,433)

19. Cash and cash equivalents

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

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash on hand	153,789	622,846	179,065	729,690
Current account with NBC	1,825	7,391	1,399	5,701
Balances with other banks	835,880	3,385,314	686,790	2,798,669
	991,494	4,015,551	867,254	3,534,060

20. Commitments and contingencies

(a) Lease commitments

The Company leases office premises under an operating lease arrangement with minimum lease commitments as follows:

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within one year	364,806	1,477,463	337,249	1,374,289
From two to three years	600,541	2,432,192	920,706	3,751,877
	<u>965,347</u>	<u>3,909,655</u>	<u>1,257,955</u>	<u>5,126,166</u>

(b) Taxation contingencies

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

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 since the incorporation of the Company could be significant.

21. Related party balances and transactions

(a) Related party balances

Amounts due to related parties:

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
AEON Credit Service Co., Ltd	<u>204,278</u>	<u>827,326</u>	<u>91,501</u>	<u>372,866</u>

Amounts due to related parties are unsecured, interest free and repayable on demand.

(b) Directors and key management personnel compensation

Compensation including other benefits of directors and key management personnel for the year amounted to US\$552,930 or KHR2,239,367 thousand (2014:US\$218,117 or KHR888,827 thousand).

22. Financial risk management

The Company's activities are exposed to a variety of financial risks: credit risk, market risk (including currency risk, interest rate risk and price risk), and liquidity risk. Taking risk is core to the financial business, and operational risks are an inevitable consequence of being in business.

In the absence of a derivate market in Cambodia, the Company does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to manage its risk exposure.

The Company intends to comply with the NBC's regulations for financial risk management purposes. The Company however recognises that international best practices on risk management are yet to be fully implemented. The Board of Directors has established a Risk Management Section to formulate broad parameters of acceptable risk for the Company and monitor the activities against these parameters.

The Company holds the following financial assets and liabilities:

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Financial assets				
Cash on hand	153,789	622,846	179,065	729,690
Balances with the National Bank of Cambodia	501,825	2,032,391	201,399	820,701
Balances with other banks	835,880	3,385,314	686,790	2,798,669
Loans to customers	27,161,223	110,002,953	20,408,370	83,164,108
Other assets *	1,131,016	4,580,615	887,360	3,615,992
Total financial assets	<u>29,783,733</u>	<u>120,624,119</u>	<u>22,362,984</u>	<u>91,129,160</u>

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Financial liabilities				
Accounts payable and accrued expenses *	587,889	2,380,950	499,499	2,035,458
Due to related parties	204,278	827,326	91,501	372,866
Borrowings	21,890,000	88,654,500	20,730,000	84,474,750
Total financial liabilities	<u>22,682,167</u>	<u>91,862,776</u>	<u>21,321,000</u>	<u>86,883,074</u>

* Amounts excluded non-financial assets/liabilities.

(a) Credit risk

The Company takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss to the Company by failing to discharge an obligation. Credit risk is the most important risk for the Company's business. Credit exposure arises principally in lending activities that lead to loans to customers. The credit risk management is carried out by the Company's Risk Management Section.

(i) Credit risk measurement

The Company assesses the probability of default of individual counterparties in accordance with its credit policy, procedures and practices. Risk Management Section is responsible for determining the risk rating policies.

(ii) Risk limit control and mitigation policies

The Company operates and provides loans to individuals within the Kingdom of Cambodia. The Company manages, limits and controls the concentration of credit risk whenever it is identified. Large exposure is defined by the NBC as overall credit exposure to any single beneficiary which exceeds 2% for individual loan and 3% for group loan of the Company's net worth under the conditions of Prakas No. B7-07-163 of the NBC.

(iii) Impairment and allowance policies

The Company is required to follow the mandatory credit classification and allowance in accordance with NBC's Prakas No B7-02-186 dated 13 September 2002 on loan classification and allowance. Refer to Note 3(f) for details.

(iv) Exposure to credit risk

	2015		2014	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Loans to customers				
Neither past due nor impaired	26,506,076	107,349,608	20,029,242	81,619,161
Past due but not impaired	458,806	1,858,164	273,825	1,115,837
Individually impaired	944,354	3,824,633	521,973	2,127,040
	<u>27,909,236</u>	<u>113,032,405</u>	<u>20,825,040</u>	<u>84,862,038</u>

Neither past due nor impaired

Loans to customers which are not past due are not considered impaired, unless other information is available to indicate the contrary.

Past due but not impaired loans to customers

Past due but not impaired loans to customers are those for which contractual interest or principal payments are past due less than 30 days, unless other information is available to indicate otherwise.

Impaired loans to customers

In compliance with NBC Guidelines, an allowance for doubtful loans to customers is made for loans to customers with payment overdue more than 30 days. A minimum level of specific allowance for impairment is made depending on the classification concerned, unless other information is available to substantiate the repayment capacity of the counterparty. Refer to separate accounting policy stated in Note 3(f).

(b) Operational risk

The operational risk losses which would result from inadequate or failed internal processes, people and systems or from external factors is managed through established operational risk management processes, proper monitoring and reporting of the business activities by control and support units which are independent of the business units and oversight provided by the management.

The operational risk management entail the establishment of clear organisational structure, roles and control policies. Various internal control policies and measures have been implemented. These include the establishment of signing authorities, defining system parameters controls, streamlining procedures and documentation. These are reviewed continually to address the operational risks of its micro-finance business.

(c) Market risk

Market risk is the risk of loss arising from adverse movement in the level of market prices or rates. the two key components being foreign currency exchange risk and interest rate risk.

In the absence of derivatives market, the Company does not use derivative financial instruments such as foreign exchange contract and interest rate swaps to hedge its risk exposure.

The Company has maintained a minimum foreign currency exposure ratio in accordance with guidelines issued by the National Bank of Cambodia.

(i) Foreign currency exchange risk

The Company operates in the Kingdom of Cambodia and transacts in many currencies, and is exposed to various currency risks, primarily with respect to KHR. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency.

As at balance sheet, balances in monetary assets and liabilities denominated in currencies other than US\$ are not significant. Therefore, no sensitivity analysis for foreign currency exchange risk was presented.

(ii) Interest rate risk

Interest rate risk refers to the volatility in net interest income as a result of changes in the levels of interest rate and shifts in the composition of the assets and liabilities. The exposure to interest rate risk relate primarily to its loans, bank deposits and borrowings.

The following table indicates the effective interest rates at the reporting date and the periods in which the financial instruments re-price or mature, whichever is earlier.

31 December 2015	Up to 1 month US\$	>1-3 months US\$	>3-12 months US\$	1 - 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$
Assets							
Cash on hand	-	-	-	-	-	153,789	153,789
Balances with the National Bank of Cambodia	-	-	-	-	-	501,825	501,825
Deposits and placements with banks	-	-	-	-	-	835,880	835,880
Loans and advances to customers							
- Performing	77,539	2,890,564	7,141,702	16,855,077	-	-	26,964,882
- Non performing	-	-	-	-	-	944,354	944,354
- Allowance	-	-	-	-	-	(748,013)	(748,013)
Other assets	-	-	-	-	-	1,146,649	1,146,649
	<u>77,539</u>	<u>2,890,564</u>	<u>7,141,702</u>	<u>16,855,077</u>	<u>-</u>	<u>2,834,484</u>	<u>29,799,366</u>
Liabilities							
Due to related parties	-	-	-	-	-	204,278	204,278
Borrowings	5,490,000	9,400,000	7,000,000	-	-	-	21,890,000
Accounts payable and accrued expenses	-	-	-	-	-	603,522	603,522
	<u>5,490,000</u>	<u>9,400,000</u>	<u>7,000,000</u>	<u>-</u>	<u>-</u>	<u>807,800</u>	<u>22,697,800</u>
Maturity gap	<u>(5,412,461)</u>	<u>(6,509,436)</u>	<u>141,702</u>	<u>16,855,077</u>	<u>-</u>	<u>2,026,684</u>	<u>7,101,566</u>

31 December 2014	Up to 1 month US\$	>1-3 months US\$	>3-12 months US\$	1 - 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$
Assets							
Cash on hand	-	-	-	-	-	179,065	179,065
Balances with the National Bank of Cambodia	-	-	200,000	-	-	1,399	201,399
Deposits and placements with banks	-	-	-	-	-	686,790	686,790
Loans and advances to customers							
- Performing	66,037	287,779	6,736,073	13,213,178	-	-	20,303,067
- Non performing	-	-	-	-	-	521,973	521,973
- Allowance	-	-	-	-	-	(416,670)	(416,670)
Other assets	-	-	-	-	-	887,360	887,360
	<u>66,037</u>	<u>287,779</u>	<u>6,936,073</u>	<u>13,213,178</u>	<u>-</u>	<u>1,859,917</u>	<u>22,362,984</u>
Liabilities							
Due to related parties	-	-	-	-	-	91,501	91,501
Borrowings	-	-	10,730,000	10,000,000	-	-	20,730,000
Accounts payable and accrued expenses	-	-	-	-	-	499,499	499,499
	<u>-</u>	<u>-</u>	<u>10,730,000</u>	<u>10,000,000</u>	<u>-</u>	<u>591,000</u>	<u>21,321,000</u>
Maturity gap	<u>66,037</u>	<u>287,779</u>	<u>(3,793,927)</u>	<u>3,213,178</u>	<u>-</u>	<u>1,268,917</u>	<u>1,041,984</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate liabilities at fair value through profit or loss, and the Company does not have derivatives as at the year end. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

(d) Liquidity risk

Liquidity risk relates to the ability to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due at a reasonable cost.

In addition to full compliance of all liquidity requirements, the management of the Company closely monitors all inflows and outflows and the maturity gaps through periodical reporting. Movements in loans and customers' deposits are monitored and liquidity requirements adjusted to ensure sufficient liquid assets to meet its financial commitments and obligations as and when they fall due.

The following table provides an analysis of the financial assets and liabilities of the Company into relevant maturity groupings based on the remaining periods to repayment.

31 December 2015	Up to 1 month US\$	2 - 3 months US\$	4 - 12 months US\$	1 - 5 years US\$	Over 5 years US\$	Non-interest sensitive US\$	Total US\$
Liabilities							
Amount due to related parties	-	-	-	-	-	204,278	204,278
Borrowings	5,490,000	9,400,000	7,000,000	-	-	-	21,890,000
Accounts payable and accrued expenses	603,522	-	-	-	-	-	603,522
	<u>6,093,522</u>	<u>9,400,000</u>	<u>7,000,000</u>	<u>-</u>	<u>-</u>	<u>204,278</u>	<u>22,697,800</u>
31 December 2014							
Liabilities							
Amount due to related parties	-	91,501	-	-	-	-	91,501
Borrowings	-	-	10,000,000	10,730,000	-	-	20,730,000
Accounts payable and accrued expenses	499,499	-	-	-	-	-	499,499
	<u>499,499</u>	<u>91,501</u>	<u>10,000,000</u>	<u>10,730,000</u>	<u>-</u>	<u>-</u>	<u>21,321,000</u>

(e) Capital management

(i) Regulatory capital

The Company's lead regulator, the NBC, sets and monitors capital requirements for the Company as a whole.

The Company's policy is to maintain a strong capital base so as to maintain market confidence and to sustain further development of the business. The impact of the level of capital on shareholders' return is also recognised and the Company recognised the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Company and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

(ii) Capital allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital.

23. Fair values of financial assets and liabilities

The Company did not have financial instruments measured at fair value.

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arms-length basis. As verifiable market prices are not available, market prices are not available for a significant proportion of the Company's financial assets and liabilities, the fair values, therefore, have not been presented.

BRANCH MAPS

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Siem Reap City, Siem Reap
Province

Kampong Cham

National No.7,Sangkat
Vealvong,Kampong Cham
City,Kampong Cham
Province

Battambang

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Por, Battambang District,
Battambang Province

Phnom Penh

- Head Office:
Address: 7th Floor, Building
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Kang 3, Khan
Chamkarmon, Phnom Penh
- Sovanna Branch:
Address: No. D29, Street
Diamond, Village 4,
Sangkat Tonob Tek, Khan
Chamkarmon, Phnom Penh
- AEON Mall Branch:
Address: Second Floor of
AEON Mall Store, No. 132,
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ÆON SPECIALIZED BANK (CAMBODIA) PLC.