

CAM GSM CO., LTD.

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

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FOR THE YEAR ENDED 31 DECEMBER 2022**

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REPORT OF THE BOARD OF DIRECTORS

The Board of Directors (the Directors) submits their report together with the audited consolidated financial statements of Cam GSM Co., Ltd. (the Company) and its subsidiaries (collectively referred to as 'the Group') for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Group are to:

- (a) Install and operate any and all equipment and machinery used in connection with the operations of the GSM mobile cellular telephone network in the entire Kingdom of Cambodia and all products which are ancillary, complementary or component parts of such equipment; and
- (b) Market and sell any telecommunications product and/or service.

RESULTS

The results of operations for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 7.

RESPONSIBILITY OF THE DIRECTORS IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible to ensure that the consolidated financial statements are properly drawn up to present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and of their consolidated financial performance and their consolidated cash flows for the year then ended. In preparing these consolidated financial statements, the Directors are required to:

- i) adopt appropriate accounting policies which are supported by reasonable and prudent judgements and estimates and then apply them consistently;
- ii) prepare the consolidated financial statements in compliance with Cambodian International Financial Reporting Standards (CIFRS);
- iii) maintain adequate accounting records and an effective system of internal controls;
- iv) prepare the consolidated financial statements on a going concern basis unless it is inappropriate to assume that the Group will continue operations in the foreseeable future; and
- v) effectively control and direct the Group and be involved in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the consolidated financial statements.

The Directors confirm that the Group has complied with the above requirements in preparing the consolidated financial statements.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements, which comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, together with the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information present fairly, in all material respects, the financial position of the Group as at 31 December 2022 and its financial performance and its cash flows for the year then ended in accordance with CIFRS, were approved by the Board of Directors.

Signed in accordance with a resolution of the Board of Directors.



Simon Perkins
Chief Executive Officer

Phnom Penh, Kingdom of Cambodia

12 JUN 2023



Independent auditor's report

To the shareholders of Cam GSM Co., Ltd.

Our opinion

In our opinion, the consolidated financial statements, present fairly, in all material respects, the consolidated financial position of Cam GSM Co., Ltd. (the Company) and its subsidiaries (collectively referred to as 'the Group') as at 31 December 2022, and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards.

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Kampuchea Institute of Certified Public Accountants and Auditors' Code of Ethics for Certified Public Accountants and Auditors (KICPAA Code) that are relevant to our audit of the consolidated financial statements in Cambodia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the KICPAA Code.



Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Cambodian International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

For PricewaterhouseCoopers (Cambodia) Ltd.


By Kuy Lim
Partner



Phnom Penh, Kingdom of Cambodia
12 June 2023

CAM GSM CO., LTD.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

	Notes	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
ASSETS					
Non-current assets					
Property, plant and equipment	5	91,296,587	375,868	103,363,297	421,102
Right-of-use assets	6	115,855,423	476,977	119,313,521	486,083
Intangible assets	7	2,232,138	9,190	2,605,920	10,617
Advances to suppliers for capital expenditures	8	10,262,975	42,255	7,117,999	28,999
Refundable deposits		500,000	2,061	-	-
Loans to a related party	9	373,584,018	1,538,045	353,522,240	1,440,251
		<u>593,731,141</u>	<u>2,444,396</u>	<u>585,922,977</u>	<u>2,387,052</u>
Current assets					
Prepayments and deposits	10	1,507,627	6,207	1,275,735	5,197
Inventories	11	902,887	3,717	848,133	3,455
Receivables from related parties	30	106,338	438	130,010	530
Trade and other receivables	13	3,301,537	13,593	3,841,955	15,652
Short-term deposits		-	-	1,500,000	6,111
Cash and cash equivalents	14	2,863,187	11,788	8,331,483	33,942
		<u>8,681,576</u>	<u>35,743</u>	<u>15,927,316</u>	<u>64,887</u>
Total assets		<u>602,412,717</u>	<u>2,480,139</u>	<u>601,850,293</u>	<u>2,451,939</u>
EQUITY					
Equity attributable to shareholders					
Share capital	15	5,000,000	20,585	5,000,000	20,370
Retained earnings		181,628,116	738,528	141,056,922	572,713
Other reserves		-	9,235	-	1,953
Total equity		<u>186,628,116</u>	<u>768,348</u>	<u>146,056,922</u>	<u>595,036</u>
LIABILITIES					
Non-current liabilities					
Lease liabilities	6	35,170,945	144,799	34,864,677	142,039
Borrowings	18	142,871,389	588,202	155,869,251	635,011
Other financial liabilities	21	8,549,687	35,199	34,534,150	140,692
Deferred income tax liabilities	16	11,791,305	48,545	16,285,214	66,346
Employment seniority payment Obligations		1,115,960	4,594	1,267,371	5,163
Trade and other payables	17	3,204,111	13,191	19,302,953	78,640
		<u>202,703,397</u>	<u>834,530</u>	<u>262,123,616</u>	<u>1,067,891</u>
Current liabilities					
Trade and other payables	17	76,550,552	315,159	68,233,677	277,984
Other financial liabilities	21	9,264,565	38,142	9,961,415	40,583
Contract liabilities		23,897,682	98,393	26,447,131	107,745
Payables for capital expenditure	19	751,157	3,093	2,330,836	9,496
Current income tax liabilities		41,252,442	169,836	27,358,862	111,460
Borrowings	18	15,484,709	63,751	20,364,487	82,965
Lease liabilities	6	6,603,657	27,187	6,091,475	24,817
Employment seniority payment Obligations		53,096	218	667,316	2,719
Payables to related parties	30	4,258,555	17,532	13,256,383	54,007
Accrued liabilities	20	34,964,789	143,950	18,958,173	77,236
		<u>213,081,204</u>	<u>877,261</u>	<u>193,669,755</u>	<u>789,012</u>
Total liabilities		<u>415,784,601</u>	<u>1,711,791</u>	<u>455,793,371</u>	<u>1,856,903</u>
Total equity and liabilities		<u>602,412,717</u>	<u>2,480,139</u>	<u>601,850,293</u>	<u>2,451,939</u>

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Revenue	22	191,242,931	781,610	170,712,365	694,458
Operating costs					
Depreciation and amortisation		(30,678,683)	(125,384)	(33,111,373)	(134,697)
Interconnect costs		(10,720,325)	(43,814)	(10,856,492)	(44,164)
Personnel costs		(11,691,420)	(47,783)	(18,141,578)	(73,800)
Other operating costs	23	(96,551,367)	(394,605)	(80,457,745)	(327,302)
Gain on modification of other financial liabilities	24	12,081,555	49,377	4,693,148	19,092
Other losses – net		(375,918)	(1,536)	(114,246)	(465)
Operating profit		53,306,773	217,865	32,724,079	133,122
Finance income	25	20,712,160	84,651	19,494,073	79,302
Finance costs	26	(22,292,712)	(91,110)	(16,555,194)	(67,347)
Profit before income tax		51,726,221	211,406	35,662,958	145,077
Income tax expense	27	(11,155,027)	(45,591)	(7,867,289)	(32,004)
Profit for the year		40,571,194	165,815	27,795,669	113,073
Other comprehensive income: <i>Items that will not be reclassified to profit or loss</i>					
Currency translation differences		-	7,282	-	3,453
Other comprehensive income for the year		-	7,282	-	3,453
Total comprehensive income for the year		40,571,194	173,097	27,795,669	116,526
Profit for the year attributable to the shareholders		40,571,194	165,815	27,795,669	113,073
Total comprehensive income attributable to the shareholders		40,571,194	173,097	27,795,669	116,526

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

CAM GSM CO., LTD.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Attributable to the shareholders of the Group							
	Share capital		Retained earnings		Other reserves		Total	
	US\$	Riel million	US\$	Riel million	US\$	Riel million	US\$	Riel million
For the year ended 31 December 2021								
As at 1 January 2021	5,000,000	20,225	113,261,253	459,640	-	(1,500)	118,261,253	478,365
Comprehensive income								
Profit for the year	-	-	27,795,669	113,073	-	-	27,795,669	113,073
Other comprehensive income - currency translation differences	-	-	-	-	-	3,453	-	3,453
Total comprehensive income for the year	-	-	27,795,669	113,073	-	3,453	27,795,669	116,526
Transactions with owners								
Currency translation differences	-	145	-	-	-	-	-	145
Total transactions with owners	-	145	-	-	-	-	-	145
Balance at 31 December 2021	<u>5,000,000</u>	<u>20,370</u>	<u>141,056,922</u>	<u>572,713</u>	<u>-</u>	<u>1,953</u>	<u>146,056,922</u>	<u>595,036</u>
For the year ended 31 December 2022								
As at 1 January 2022	5,000,000	20,370	141,056,922	572,713	-	1,953	146,056,922	595,036
Comprehensive income								
Profit for the year	-	-	40,571,194	165,815	-	-	40,571,194	165,815
Other comprehensive income - currency translation differences	-	-	-	-	-	7,282	-	7,282
Total comprehensive income for the year	-	-	40,571,194	165,815	-	7,282	40,571,194	173,097
Transactions with owners								
Currency translation differences	-	215	-	-	-	-	-	215
Total transactions with owners	-	215	-	-	-	-	-	215
Balance at 31 December 2022	<u>5,000,000</u>	<u>20,585</u>	<u>181,628,116</u>	<u>738,528</u>	<u>-</u>	<u>9,235</u>	<u>186,628,116</u>	<u>768,348</u>

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

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Cash flows from operating activities					
Cash generated from operations	28	82,205,399	335,975	50,798,844	206,651
Income tax paid	27	(1,755,356)	(7,174)	(1,398,054)	(5,687)
Interest received from banks		329,616	1,347	65,549	266
Net cash generated from operating activities		<u>80,779,659</u>	<u>330,148</u>	<u>49,466,339</u>	<u>201,230</u>
Cash flows from investing activities					
Short-term deposit		1,500,000	6,131	(1,500,000)	(6,102)
Payments for property, plant and equipment	5	(15,832,923)	(64,709)	(12,204,678)	(49,649)
Proceeds from sales of property, plant and equipment	28	<u>3,026,962</u>	<u>12,371</u>	<u>291,449</u>	<u>1,186</u>
Net cash used in investing activities		<u>(11,305,961)</u>	<u>(46,207)</u>	<u>(13,413,229)</u>	<u>(54,565)</u>
Cash flows from financing activities					
Principal elements of lease payments		(6,433,657)	(26,294)	(7,197,478)	(29,279)
Repayments of borrowings		(29,325,648)	(119,854)	(43,149,131)	(175,531)
Repayments of other financial liabilities		(15,600,000)	(63,757)	(7,000,000)	(28,476)
Repayments of long-term trade payable		(18,037,367)	(73,719)	-	-
Proceeds from borrowings		10,020,797	40,955	39,217,746	159,538
Payments of finance costs		(1,619,814)	(6,620)	(2,627,781)	(10,690)
Interest paid		<u>(13,946,305)</u>	<u>(56,999)</u>	<u>(14,293,347)</u>	<u>(58,145)</u>
Net cash used in financing activities		<u>(74,941,994)</u>	<u>(306,288)</u>	<u>(35,049,991)</u>	<u>(142,583)</u>
Net (decrease)/increase in cash and cash equivalents		(5,468,296)	(22,347)	1,003,119	4,082
Cash and cash equivalents at the beginning of the year		8,331,483	33,942	7,328,364	29,643
Currency translation differences		<u>-</u>	<u>193</u>	<u>-</u>	<u>217</u>
Cash and cash equivalents at end of the year	14	<u><u>2,863,187</u></u>	<u><u>11,788</u></u>	<u><u>8,331,483</u></u>	<u><u>33,942</u></u>

Non-cash financing and investing transactions

Non-cash financing and investing activities are disclosed in notes 5,6 and 28.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

1. GENERAL INFORMATION

Cam GSM Co., Ltd. (the Company) and its wholly owned subsidiaries (together 'the Group') are the companies established in the Kingdom of Cambodia under the Law on Foreign Investment. The Company was formed on 20 April 1996. The Company is wholly owned by Royal Millicom Co., Ltd (RMC) with its principal office at 246 H-I Monivong Boulevard, Phnom Penh.

RMC is a joint venture between Three Star Investment Cambodia Ltd, a company incorporated in Cayman Islands with a 61.5% share and Royal Group Co., Ltd, a company incorporated in Cambodia with a 38.5% share.

Three Star Investment Cambodia Ltd is a wholly owned subsidiary of Three Star Investment Cayman Limited, a company incorporated in Cayman Islands, which is wholly owned by Neak Okhna Kith Meng.

The Company obtained the license for the provision and operation of GSM Digital Cellular mobile telephone services within the Kingdom of Cambodia from the Ministry of Posts and Telecommunications on 20 April 1996. A new license agreement was received on 24 November 2009 with a validity of 30 years from the date of issuance and renewable for an additional 5 years, using the GSM and 3G technologies. On 15 July 2013, Mobitel Company Limited was granted licence for the use of 4G technologies in addition to using the 2G and 3G technologies.

The Company obtained the investment approval letter number 1066/96 from the Council for the Development of Cambodia/Cambodian Investment Board dated 7 August 1996. The Company was registered with the Ministry of Commerce (MoC) and received letter reference 2159 M.O.C. dated 26 August 1996. The MoC Registration number is INV 231E/1996.

The Group is using brands for its mobile phone and internet connections. 'Mobitel' was the brand of Cam GSM prior to 'Cellcard' and to protect the brand names, Mobitel Company Limited was established as wholly owned subsidiary of Cam GSM Co., Ltd. Mobitel Company Limited was registered with MoC on 20 January 1997 as per licence reference CO 2824E/1997. On 15 July 2013, Mobitel Company Limited got a licence from Telecommunication Regulator of Cambodia (TRC) to operate Long Term Evolution technology '4G'. On 20 March 2019, Telemobile (Cambodia) Corporation was established as a wholly owned subsidiary of Cam GSM Co., Ltd. in order to hold the license for the Company. On 14 January 2022, Telemobile (Cambodia) Corporation received a license from TRC to operate tower services in Kingdom of Cambodia. The two companies are subsidiaries of the Group and currently "Mobitel" is dormant.

The principal activities of the Group are to:

- (a) Install and operate any and all equipment and machinery used in connection with the operation of the GSM mobile cellular telephone network in the entire Kingdom of Cambodia and all products which are ancillary, complementary or component parts of such equipment; and
- (b) Market and sell any telecommunications product and/or service of the Group.

The registered office of Cam GSM Co., Ltd. is at Building 246 Preah Monivong Boulevard, Sangkat Boeung Raing, Khan Daun Penh, Phnom Penh, Kingdom of Cambodia.

These consolidated financial statements have been approved for issue by the Board of Directors 12 June 2023.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Cambodian International Financial Reporting Standards (CIFRS) and interpretations applicable to companies reporting under CIFRS. They have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with CIFRS requires the use of certain critical accounting estimates. It also requires the Management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

An English version of the consolidated financial statements have been prepared from the statutory consolidated financial statements that are in the Khmer language. In the event of a conflict or a difference in interpretation between the two languages, the Khmer language statutory consolidated financial statements shall prevail.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

2.3 New and revised accounting standards

(a) New and amended standards adopted by the Group

A number of amended standards became applicable for the current reporting period as follows:

- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to CIAS 16,
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to CIAS 37, and
- Annual Improvements to CIFRS Standards 2018-2020

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 New and revised accounting standards (continued)

(b) New and amended standards not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. Except for the amendments to CIAS 12 – deferred tax related to assets and liabilities arising from a single transaction, these standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

The Group is in the process of making an assessment of the impact of the amendments to CIAS 12, which is effective from 1 January 2023.

2.4 Accounting policies

a) Foreign currencies

(i) Functional and presentation currency

Items included in the consolidated financial statements of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency is the United States dollar (US\$) because of the significant influence of the US\$ on its operations. The consolidated financial statements are presented in US\$, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in currencies other than US\$ are recognised in the consolidated statement of profit or loss and other comprehensive income.

b) Presentation in Khmer Riel

In compliance with the Law on Accounting and Auditing, the consolidated financial statements shall be presented in Khmer Riel (Riel). The consolidated statements of profit or loss and other comprehensive income and cash flows are translated into Riel using the average rate for the year. Assets and liabilities for each statement of financial position presented and shareholders' capital are translated at the closing rate as at the reporting date. Exchange differences arising from the translation of shareholders' capital are recognised directly in equity; all other exchange differences are recognised in the consolidated statement of profit or loss and other comprehensive income.

The Group has used the official rates of exchange published by the National Bank of Cambodia, and as at the reporting date the average rate was US\$1 to Riel 4,074 (2021: Riel 4,068) and the closing rate was US\$1 to Riel 4,117 (2021: Riel 4,074).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Accounting policies (continued)

c) Property, plant and equipment

Items of property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Network spares are recorded at cost. Network spares are reclassified as network equipment upon installation. 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 Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation

Land is not depreciated. Depreciation is calculated using the straight-line method on all property, plant and equipment to allocate their cost to their residual values over their estimated useful lives as follows:

Building and leasehold improvements	20 to 25 years or life of lease if lower
Network equipment except for:	8 years
Optical fibre	15 years
Base tower	10 years
Billing system	5 years
Equipment, furniture and fixtures	3 - 5 years
Motor vehicles	5 years

Depreciation of network spares will commence only upon installation and transfer to network equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.4.e).

When assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and any gain or loss from their disposal is included in the consolidated statement of profit or loss and other comprehensive income within 'Other (losses)/gains – net'. Gains and losses on disposals are determined by comparing proceeds with carrying amounts.

Capital work-in-progress (CIP)

Capital work-in-progress consists of the cost of assets, labour and other direct costs associated with property, plant and equipment being constructed or installed by the Group. Once the assets become operational, the related costs are transferred from capital work-in-progress to the appropriate asset category and start to be depreciated.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Accounting policies (continued)

d) Intangible assets

Licences

Licences are shown at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of licences over their estimated useful lives.

The terms of the licences, which have been awarded for various periods, are subject to periodic review for, amongst other things, rate setting, frequency allocation and technical standards. Licences are initially measured at cost and are amortised from the date the network and the licence are available for use using the straight-line basis over periods of 5 to 30 years depending on the term of the licences. Licences held, subject to certain conditions, are usually renewable and are generally non-exclusive. When determining the useful life of the licence, management usually does not consider renewal periods since there is no guarantee that the licence will be renewed without significant cost (or at no cost). Under the terms of the respective licences, the Group is generally entitled to enter into interconnection agreements with operators of both landline and other mobile networks.

e) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. The Group determines the recoverable amount based on the fair value less cost to sell and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Where no comparable market information is available, the fair value less cost to sell is determined based on the estimated future cash flows discounted to their present value using a discount rate that reflects current market conditions of the time value of money and the risk specific to the asset. In addition to the evaluation of possible impairment to the assets carrying value, the foregoing analysis also evaluates the appropriateness of the expected useful lives of the assets.

Impairment losses of continuing operations are recognised in the consolidated statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Accounting policies (continued)

f) Financial assets

f.1. Classification

The Group classifies its financial assets to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies the financial assets when and only when its business model for managing those assets changes.

The Group's financial assets consist of loans and receivable from related parties, trade and other receivables and cash and cash equivalents.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivable from related parties, trade and other receivables (note 2.4.j) and cash and cash equivalents (note 2.4.k) are classified as financial assets measured at amortised cost under CIFRS 9.

f.2. Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership.

f.3. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments at amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised costs. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Accounting policies (continued)

f) Financial assets (continued)

f.4 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to the contracts and present value of cash flows the Group expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For trade receivables, the Group applies the simplified approach permitted by CIFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Significant increase in credit risk

The Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Accounting policies (continued)

f) Financial assets (continued)

f.4 Impairment of financial assets (continued)

Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria: When the counterparty fails to make contractual payments within one hundred and twenty (180) days after they fall due.

Qualitative criteria: The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty.

The Group considers the following instances:

- concessions have been made by the lender relating to the debtor's financial difficulty;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the debtor is insolvent.

Financial instruments that are credit-impaired are assessed on an individual basis.

Groupings of instruments of ECL measured on collective basis

- Collective assessment

To measure ECL, trade receivables have been grouped based on shared credit risk characteristics and of customer's behaviour and the days past due.

- Individual assessment

Loan to a related party and receivables from related parties, which are in default or credit-impaired or have individually significant balances, are separately assessed for ECL measurement.

Write-off

- Trade and other receivables

Trade and other receivables are written off when there is no reasonable expectation of recovery.

Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables are presented within 'other operating costs' in the profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item in the profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Accounting policies (continued)

f) Financial assets (continued)

f.4 Impairment of financial assets (continued)

Write-off (continued)

- Loan to a related party and receivables from related parties

The Group writes off financial assets, in whole or in part, when the Group has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write off financial assets that are still subject to enforcement activity.

Subsequent recoveries of the amounts previously written off will result in write back and credited against the same line item in the profit or loss.

g) Financial liabilities

Classification, recognition and measurement

Financial liabilities are classified as subsequently measured at amortised cost except for derivatives, financial liabilities held for trading and other financial liabilities designated as such at initial recognition. Gain or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income and partially profit or loss.

Derecognition

Financial liabilities are derecognised when they are extinguished. The exchange between the Group and its original lenders of financial liabilities with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

i) Inventories

Inventories consist of prepaid telephone cards and SIM cards.

Inventories are stated at the lower of cost (including costs incurred in bringing the product to its present location and condition) and net realisable value. Cost is determined using the first-in-first-out (FIFO) method. Net realisable value represents the estimated selling price in the ordinary course of business less applicable selling expenses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Accounting policies (continued)

j) Trade and other receivables

Trade and other receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one (1) year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Otherwise, they are presented as non-current.

Trade receivables and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

See note 2.4 (f) for further information about the Group's accounting for trade receivables and note 3.1 (b) for a description of the Group's impairment policies.

k) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

l) Trade and other payables

Trade and other payables and payables for capital expenditures are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in normal operating cycles of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables and payables for capital expenditures are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

m) Borrowings and other financial liabilities

Borrowings and other financial liabilities are recognised initially at fair value, net of transaction costs incurred. Borrowings and other financial liabilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Borrowings and other financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs which are not capitalised are recognised as an expense when incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Accounting policies (continued)

n) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss and other comprehensive income. The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of the amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on the taxable entity where there is an intention to settle the balances on a net basis.

o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the value of the expenditures expected to be required to settle the obligation. If the time value of money is material, provisions will be measured at the present value of such expenditures, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

p) Revenue recognition

Revenue in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised goods or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a goods or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined on the residual portion of the transaction price after allocating the transaction price to goods and/ or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Accounting policies (continued)

p) Revenue recognition (continued)

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If the PO is satisfied over time, revenue is recognised based on percentage of completion reflecting the progress towards complete satisfaction of that PO.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the activities as described below.

Equipment revenues

These revenues consist of the sale of internet equipment, handsets and accessories. Revenues are recognised at the point of time upon delivery and acceptance of the device by the customers where the control is being transferred to the customers. That criterion is fulfilled when the customer has the ability to direct the use and obtain substantially all of the remaining benefits from that good.

Revenues from provision of telecom services

These recurring revenues consist of monthly subscription fees, airtime usage fees, interconnection fees, roaming fees, and other telecommunications services such as data services, short message services and other Value-Added Services. Recurring revenues are recognised on an accrual basis, i.e. as the related services are rendered.

Post-paid

Post-paid mobile services are recognised over the relevant enforceable/subscribed service period (recurring monthly access fees that do not vary based on usage). The service provision is usually considered as a series of distinct services that have the same pattern of transfer to the customer. Unbilled revenues for airtime usage and subscription fees resulting from services provided from the billing cycle date to the end of each month are estimated and recorded.

Value-Added Services

Revenues from Value-Added Services such as wallpapers, backup services and games etc., are recognised net of payment to the providers of these services when they are responsible for the contents and for determining the price paid by the subscriber and as such the Group is considered to be acting in substance as an agent only. Where the Group is responsible for the content and determines the price paid by the subscriber then the revenue is recognised gross.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Accounting policies (continued)

p) Revenue recognition (continued)

Prepayments

Prepayments allow the forward purchase of a specified amount of airtime by customers. Revenues are recognised as credit is used. Unutilised airtime is carried in the balance sheet as contract liabilities. Upon expiration of the validity period, the portion of the contract liability relating to the expiring credit is recognised as revenue, since there is no longer an obligation to provide those services.

As a practical expedient, information about its remaining performance obligations is not disclosed because the original expected contract term is less than 1 year.

Connection revenue

Connection revenue and related cost are deferred and amortised on a straight-line basis over the estimated life of customer relationship.

Sales of prepaid cards with a sim card and preloaded credits are accounted for as one performance obligation as the sim card cannot be used on its own. Consideration received for prepaid credits is initially recognised as contract liability and recognised as revenue upon usage by the customer. Any credits not used are recognised in full upon expiry or customer churn, whichever is earlier.

Telecom services are offered separately and/or as a bundle along with other services and/or devices. For bundled contracts, the Group accounts for individual products and services separately if they are distinct i.e. if a product or service is separately identifiable from other items in the bundled contract and if customers can benefit from it. Revenue is recognised on fulfilment of the individual obligations to the customer.

The total transaction price of bundled contracts are allocated among the individual performance obligations based on their relative standalone selling prices. The stand-alone selling prices are determined based on the observable price at which the Group sells the products and services on a stand-alone basis. For products and services that are not sold separately, the Group estimates stand-alone selling prices using other methods such as adjusted market assessment approach, cost plus margin approach or residual approach.

Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial assets after deduction of the loss allowance, if any.

q) Contract liabilities

A contract liability is the obligation to transfer the goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (which is earlier). Contract liabilities are recognised as revenue when the Group performs the services under the contract. Contract liabilities are presented in the statement of financial position.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Accounting policies (continued)

r) Contract acquisition costs

Contract acquisition costs comprise the incremental costs of obtaining a contract (mainly sales commission paid to dealers) and the costs to fulfil a contract. These costs are capitalised if it can be assumed that the costs will be compensated by future revenue from the contract. Incremental costs of obtaining a contract are additional costs that would have not been incurred had the contract not been concluded. Costs to fulfil a contract are costs relating directly to a contract that are incurred after contract inception and serve the purpose of fulfilling the contract but are incurred prior to fulfilment and cannot be capitalised under any other standard. The Group has elected the practical expedient to recognise contract costs incurred related to contracts with an amortisation period of less than one year as an expense when incurred.

The capitalised contract acquisition costs are amortised on a straight-line basis over the estimated customer retention period or contract period whichever is earlier.

s) Employee benefits

Short-term employee benefits

Short term employee benefits are accrued in the year in which the associated services are rendered by the employees of the Group.

Other employee benefits –employment seniority payment obligations

In June 2018, the Cambodian government amended the Labour Law introducing the seniority pay scheme. Subsequently on 21 September 2018, Prakas No. 443 K.B/Br.K.Kh.L, was issued providing guidelines on the implementation of the law. In accordance with the law/prakas, each entity is required to pay each employee with unspecified duration employment contract the following seniority scheme:

- i) Annual service - effective January 2019, 15 days of their average monthly salary and benefits each year payable every six months on 30 June and 31 December (7.5 days each payment).
- ii) Past years of seniority service - employees are entitled to 15 days of their salary per year of service since the commencement of employment up to 31 December 2018 and still continue working with the Company. The past seniority payment depends on each staff's past services and shall not exceed six months of average gross salaries. On 22 March 2019, the Ministry of Labour and Vocational Training issued a guideline number 042/19 K.B/S.N.N.Kh.L, to delay the payment of the past years of seniority service which will be payable three days each in June and in December.

The annual service pay is considered as short-term employee benefits. These are accrued in the year in which the associated services are rendered by the employees of the Group.

The past years of seniority service payable after one year is classified as long-term employee benefits. Past seniority liability is recognised at the present value of defined obligations at the reporting period. The present value of the past seniority payment is determined by discounting the estimated future payments by references to the high-quality corporate bond of the currency that the liability is denominated.

Pension fund schemes

The Group pays monthly contributions for the compulsory pension scheme to National Social Security Fund (NSSF), a publicly administered social security scheme for pension in Cambodia. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Accounting policies (continued)

t) Leases

The Group leases land lots and buildings for its business operations. At the inception of a lease contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option,
- amounts expected to be payable by the lessee under residual value guarantee, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group, where possible, uses the recent third-party financing received by the Group as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the lessee, and
- an estimate costs to dismantle, remove or restore the underlying asset.

The provision for the restoration costs is recognised as a separate liability under CIAS 37 'Provisions, Contingent Liabilities and Contingent Assets'.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Accounting policies (continued)

t) Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Modification of a lease

Lease modification is a change in the scope of a lease that was not part of the original terms and conditions of the lease. The effective date of the modification is the date when both parties agree to a lease modification.

If the lease is modified to terminate the right of use of one or more underlying assets or to shorten the contractual lease term, the lessee remeasures the lease liability at the effective date of the modification using a revised discount rate. It decreases the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease. Any gain or loss relating to the partial or full termination is recognised in profit or loss.

u) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

v) Asset retirement obligations (AROs)

AROs are costs that arise when an asset has to be dismantled at the end of its life or the site has to be restored to its original state when the asset is removed.

A liability for the present value of the cost to remove an asset on both owned and leased sites is recognised when a present obligation for the removal is established. The corresponding cost of the obligation is included in the cost of the asset and depreciated over the useful life of the asset.

w) Rounding of amounts

All amounts in US\$ disclosed in the consolidated financial statements and notes are in the whole US\$ currency unit. All amounts in Riel in the consolidated financial statements and notes have been rounded off to the Riel million currency unit unless otherwise stated.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to some financial risk. Risk management is carried out to minimise potential adverse effects on the Group's performance.

3.1 Financial risk factors

a) Market risk

(i) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The Group evaluates the interest rate risks and considers them together with the transaction cost on negotiations of each loan. The Group evaluates the interest rate risk on an ongoing basis and devises strategies to manage its risk. The Group actively monitors the interest rates and uses its cash flow forecast to manage changes in the market. As at 31 December 2022 the outstanding loan is at floating interest rates 5.446% - 9.832% (2021: floating interest rates at 5.170% - 5.246%).

A hundred basis point fall or rise in market interest rates for the Group's borrowings, loan to a related party and current bank deposits would not have a significant impact on the profit before tax for the year.

The Group has made early prepayment on the Loan from Bank of China Limited and Canadia Bank Plc in 2022 to reduce impact of the on-going increase in interest rate.

The Group's fixed rate loan receivable is carried at amortised costs. It is therefore not subject to cash flow interest rate risk as defined in CIFRS 7, since neither the carrying amount nor the future cash flow will fluctuate because of a change in market interest rates. Although it is subject to fair value interest rate risk, the Management believes it would not have a significant impact on the financial statements because the loan is receivable from the immediate shareholder. The Management further believes that they can negotiate the interest rate with the borrower as the loan is back to back to the Commercial Facility Agreement (CFA) loan (see note 9).

(ii) Foreign currency risk

The Group is not significantly exposed to foreign currency risk as only an insignificant portion of future commercial transactions and recognised assets and liabilities are in currencies other than US\$, the functional currency.

The Management, at this stage, has not set up any policy to manage their foreign currency risk against their functional currency as the Group transacts mainly in US\$, the functional currency.

(iii) Price risk

The Group has no commodity price risk or security price risk since sales prices of services provided are reviewed annually and the Group does not have any investment in securities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

b) Credit risk

Credit risk arises from cash and cash equivalents, trade and other receivables, receivables from related parties and loan to a related party.

(i) Risk management

For banks and financial institutions, only well-known commercial banks are accepted. Accounts receivables are derived from the provision of telecom services to a large number of customers, including businesses and individuals as well as local telecommunication companies and the related concentration of credit risk is therefore limited. Receivables from and loans to related parties are considered low risk because they are with related parties under common shareholder. The Management believes that receivables from related parties may be offset with the Group's payables to related parties and borrowing from a shareholder because those related parties are under a common shareholder and they have done that in the past.

(ii) Impairment loss of financial assets

The Group has the following types of financial instruments that are subject to the ECL model:

- Trade and other receivables
- Loans to a related party, and
- Receivables from related parties

While cash and cash equivalents and short-term deposits are also subject to the impairment requirements of CIFRS 9, the identified impairment loss was immaterial.

Trade and other receivables

The Group applies the CIFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime of ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment. The provision for expected credit losses is recognised in the consolidated statement of income within other operating costs.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product (GDP) and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

b) Credit risk (continued)

(ii) Impairment loss of financial assets (continued)

Trade and other receivables (continued)

On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 determined as follows for both trade and other receivables:

	Current US\$	Less than 90 days past due US\$	More than 90 days past due US\$	More than 180 days past due US\$	Total US\$
31 December 2021					
Expected loss rate	0%	0%	0%	100%	
Gross carrying amount	1,285,071	97,624	109,199	430,988	1,922,882
Loss allowance	-	-	-	430,988	430,988
31 December 2022					
Expected loss rate	0%	18%	80%	100%	
Gross carrying amount	1,398,645	345,357	116,354	149,067	2,009,423
Loss allowance	-	62,040	93,083	149,067	304,190

The closing loss allowances for trade and other receivables as at 31 December 2022 reconcile to the opening loss allowances as follows:

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
At 1 January	430,988	1,743	430,988	1,743
Reversal of impairment losses	(126,798)	(522)	-	-
Currency translation differences	-	31	-	13
At 31 December	304,190	1,252	430,988	1,756

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 180 days past due.

Impairment losses on trade and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

b) Credit risk (continued)

(ii) Impairment loss of financial assets (continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include loans to a related party and receivables from related parties.

There was no impairment for loans to a related party because it was guaranteed for full repayments by the ultimate shareholder, who has strong cash flow capacity.

The loan to a related party is a back to back loan which is expected to be settled in the future during dividend payout. The Company does not expect any loss because although the loan is not repaid by the borrower when it is due, it is guaranteed to be repaid in full by the ultimate shareholder of the Company.

There was no impairment for receivables from related parties because there was no objective evidence that the receivables are not collected.

(iii) Net impairment losses on financial assets recognised in consolidated profit or loss

	2022	2022	2021	2021
	US\$	Riel million	US\$	Riel million
(Reversal of) impairment losses	<u>(126,798)</u>	<u>(518)</u>	<u>-</u>	<u>-</u>

c) Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group has incurred significant indebtedness. The Group evaluates its ability to meet its obligations on an ongoing basis using a recurring liquidity planning tool. This tool considers the operating net cash flows generated from its operations and the future cash needs for borrowing and interest payments and the capital expenditures required to maintain and develop businesses. Furthermore, the Group relies on the shareholders to support the future liquidity and on-going business operations.

The Group manages its liquidity through the use of bank loans and advances from the ultimate shareholder. The Management believes that there is sufficient liquidity available in the markets to meet on-going liquidity needs.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

c) Liquidity risk (continued)

The table below summarises the maturity profiles of the Group's net financial liabilities at reporting date based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year US\$	1 - 5 year US\$	More than 5 years US\$	Total US\$	Total Riel million
Year ended 31 December 2022					
Borrowings	24,127,340	155,104,912	71,104	179,303,356	738,192
Other financial liabilities	9,600,000	9,426,315	-	19,026,315	78,331
Trade and other payables	49,514,474	3,422,952	-	52,937,426	217,943
Payables for capital expenditure	751,157	-	-	751,157	3,093
Payables to related parties	4,258,555	-	-	4,258,555	17,532
Accrued liabilities	34,964,789	-	-	34,964,789	143,950
Lease liabilities	11,740,239	40,531,735	3,033,344	55,305,318	227,692
	<u>134,956,554</u>	<u>208,485,914</u>	<u>3,104,448</u>	<u>346,546,916</u>	<u>1,426,733</u>
Year ended 31 December 2021					
Borrowings	41,169,771	165,327,405	71,104	206,568,280	841,559
Other financial liabilities	11,000,000	44,405,199	-	55,405,199	225,721
Trade and other payables	43,795,525	19,302,953	-	63,098,478	257,063
Payables for capital expenditure	2,330,836	-	-	2,330,836	9,496
Payables to related parties	13,256,383	-	-	13,256,383	54,007
Accrued liabilities	19,536,104	-	-	19,536,104	79,590
Lease liabilities	10,228,676	34,812,160	11,108,160	56,148,996	228,751
	<u>141,317,295</u>	<u>263,847,717</u>	<u>11,179,264</u>	<u>416,344,276</u>	<u>1,696,187</u>

3.2 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may make dividend payments to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using primarily the leverage ratio, i.e net debt to EBITDA ratio and the net debt to equity ratio. The Group has adopted the formula provided in the loan agreement with the syndicate led by Bank of China Limited in computing these ratios due to the significance of these loans to the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

- (a) *Cash and cash equivalents and short-term investments* – The carrying values of these amounts approximate fair values due to their short-term nature.
- (b) *Accounts receivable and payable* – The carrying amounts less impairment provision approximate fair value because these are subject to normal credit terms and are short-term in nature.
- (c) *Loan to a related party* – The fair value of the loan is estimated by discounting the future contractual cash flows using the CFA's borrowing rate at year-end.
- (d) *Borrowings and other financial liabilities* – The fair value of borrowings and other financial liabilities is estimated by discounting the future contractual cash flows using a borrowing rate at year-end.
- (e) *Long term trade payables* – The fair value of the long-term trade payables is estimated by discounting the future contractual cash flows using a market lending rate in the year.
- (f) *Other assets and other liabilities* – The carrying amounts of other financial assets and other financial liabilities are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

The Group's policy has classified its financial instruments as level three under the fair value hierarchy levels as at the end of the reporting period.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that may cause material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Property, plant and equipment

Accounting for property, plant and equipment involves the use of estimates for determining the expected useful lives of these assets. The determination of the useful lives of the assets is based on the Management's judgement. In making this judgement, the Group evaluates among other factors, the expected usage of the asset, expected physical wear and tear which depends on operational and environmental factors and technical or commercial obsolescence arising from changes or improvements in technology.

For the billing system, the Management has no intention to dispose of or plan to replace it with the new billing system early, so its remaining useful life is considered to be appropriate for depreciation calculation purposes.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The allowance of impairment of financial assets is immaterial as determined by the Management.

Recoverability of loan to a related party

The Group believes that there is no concern about the recoverability of the loan to a related party of US\$373,904,784 that is outstanding as at 31 December 2022 (2021: US\$353,522,240) because the loan is not yet due and the Group expects to collect it through dividends payment to shareholders.

Waiver of other financial liabilities

In 2021, the Company agreed with its suppliers namely Nokia Shanghai Bell Co., Ltd. and Branch of Nokia Shanghai Bell Co., Ltd. to settle the overdue debts in instalments without interest charges on the current debts. In 2022, both parties agreed that when the Company makes additional one-off cycle payment of US\$6 million to the existing instalment, it will be entitled to 75% waiver of the overdue interest payable charged in the previous periods (prior interest) and it will be entitled to remaining 25% waiver of the prior interest when it fully settles the remaining debt in accordance with the agreed instalment (note 21). Because the management of the Company believes it will be able to settle the remaining debts based on the agreed instalment, it assumes there is no prior interest in its outstanding payables to the suppliers as at year end 31 December 2022.

Tax matters

Taxes are calculated on the basis of current interpretation of the tax regulations enacted as at reporting date. The management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subjected to interpretation. Those positions include the management's assumption on utilisation of tax losses carried forward and withholding taxes. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

However, these regulations are subject to periodic variation and the ultimate determination of tax liabilities will be made following inspection by the tax authorities. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the taxes liabilities and balances in the period in which the determination is made.

CAM GSM CO., LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. PROPERTY, PLANT AND EQUIPMENT

	Land* US\$	Building and leasehold improvement US\$	Network equipment US\$	Billing system US\$	Equipment, furniture and fixture US\$	Motor vehicles US\$	Capital work-in- progress US\$	Total US\$
<i>Carrying value as at 1 January 2021</i>	2,579,136	491,310	84,290,349	5,673,860	1,977,538	-	23,922,753	118,934,946
Additions	-	-	-	-	-	-	8,442,597	8,442,597
Transfers	-	199,122	19,726,585	-	1,933,474	172,648	(22,031,829)	-
Disposals/written off-cost	-	-	(5,438,961)	-	(38,865)	-	-	(5,477,826)
Disposals/accumulated depreciation	-	-	5,392,866	-	22,529	-	-	5,415,395
Depreciation charge for the year	-	(180,711)	(20,761,689)	(1,703,515)	(1,282,901)	(22,999)	-	(23,951,815)
As at 31 December 2021	<u>2,579,136</u>	<u>509,721</u>	<u>83,209,150</u>	<u>3,970,345</u>	<u>2,611,775</u>	<u>149,649</u>	<u>10,333,521</u>	<u>103,363,297</u>
As at 31 December 2021								
Cost	2,579,136	5,632,316	633,080,953	13,736,180	17,246,971	2,198,202	10,333,521	684,807,279
Accumulated depreciation	-	(5,122,595)	(549,871,803)	(9,765,835)	(14,635,196)	(2,048,553)	-	(581,443,982)
	<u>2,579,136</u>	<u>509,721</u>	<u>83,209,150</u>	<u>3,970,345</u>	<u>2,611,775</u>	<u>149,649</u>	<u>10,333,521</u>	<u>103,363,297</u>
Riel million equivalent	<u>10,507</u>	<u>2,077</u>	<u>338,994</u>	<u>16,175</u>	<u>10,640</u>	<u>610</u>	<u>42,099</u>	<u>421,102</u>
<i>Carrying value as at 1 January 2022</i>	2,579,136	509,721	83,209,150	3,970,345	2,611,775	149,649	10,333,521	103,363,297
Additions	-	-	93,790	-	268,595	-	9,855,266	10,217,651
Transfers	-	321,421	10,993,275	-	-	-	(11,314,696)	-
Disposals/written off-cost	(2,579,136)	-	(1,813,159)	-	10,704	(692,118)	-	(5,073,709)
Disposals/accumulated depreciation	-	-	1,691,819	-	104	692,118	-	2,384,041
Depreciation charge for the year	-	(144,578)	(16,682,893)	(1,703,516)	(1,029,177)	(34,529)	-	(19,594,693)
As at 31 December 2022	<u>-</u>	<u>686,564</u>	<u>77,491,982</u>	<u>2,266,829</u>	<u>1,862,001</u>	<u>115,120</u>	<u>8,874,091</u>	<u>91,296,587</u>
As at 31 December 2022								
Cost	-	5,953,737	642,354,859	13,736,180	17,526,270	1,506,084	8,874,091	689,951,221
Accumulated depreciation	-	(5,267,173)	(564,862,877)	(11,469,351)	(15,664,269)	(1,390,964)	-	(598,654,634)
	<u>-</u>	<u>686,564</u>	<u>77,491,982</u>	<u>2,266,829</u>	<u>1,862,001</u>	<u>115,120</u>	<u>8,874,091</u>	<u>91,296,587</u>
Riel million equivalent	<u>-</u>	<u>2,827</u>	<u>319,034</u>	<u>9,333</u>	<u>7,666</u>	<u>474</u>	<u>36,534</u>	<u>375,868</u>

The costs of fully depreciated assets as of 31 December 2022 are US\$588,449,196 (2021: US\$524,024,251).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- (*) The land is located at Group 4, village 4, Chrang Chamres 1 Commune, Russey Keo District, Phnom Penh. The title deed certificate is under the name of the Group's shareholder (Neak Okhna Kith Meng). The Group entered into a leasing agreement dated 31 January 2009 with Neak Okhna Kith Meng to lease the land for the period of 30 years starting from 31 January 2009 with an option to renew for five years being available on the 29th year of the lease term. The lease was fully paid in advance. The lessor irrevocably agrees to grant the lessee the right to the purchase option of the Demised Premises at the end of the Lease Term for the amount of US\$10,000. The leasehold land is classified as property, plant and equipment as the substantial risks and rewards including control over the residual value associated with the land are transferred to the Company despite there being no transfer of legal title. In 2022, the Company agreed with Neak Okhna Kith Meng to terminate the lease agreement and return the leased land to Neak Okhna Kith Meng while he refunded US\$2,579,136, the net book value of the land. Hence, the land was disposed of in its statement of financial position.

The following table provides details of cash used for the purchases of property, plant and equipment:

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Additions	10,217,651	41,760	9,199,751	37,425
(Increase)/decrease in accrued capital expenditure	(10,726)	(44)	97,619	397
Increase in suppliers' advances for capital expenditure	3,144,976	12,854	3,553,810	14,457
Decrease/(increase) in payables for capital expenditure	1,579,679	6,456	(656,370)	(2,670)
Decrease in payable for capital expenditure to related parties	901,343	3,683	9,868	40
Cash used for purchases of property, plant and equipment	15,832,923	64,709	12,204,678	49,649

6. LEASES

This note provides information for leases where the Group is a lessee.

(i). Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	31 December 2022		31 December 2021	
	US\$	Riel million	US\$	Riel million
<i>Right-of-use assets</i>				
Land for office space (*)	78,886,080	324,774	79,776,378	325,009
Buildings for service centres	690,365	2,842	676,011	2,754
Land for cell sites	36,278,978	149,361	38,861,132	158,320
	115,855,423	476,977	119,313,521	486,083
<i>Lease liabilities</i>				
Current	6,603,657	27,187	6,091,475	24,817
Non-current	35,170,945	144,799	34,864,677	142,039
	41,774,602	171,986	40,956,152	166,856

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

6. LEASES (continued)

(i) Amounts recognised in the consolidated statement of financial position (continued)

- (*) On 31 December 2019, the ultimate shareholder, who is the lessor of the five land plots leased for office buildings and car park to the Company amended the lease agreements by changing the lease terms to 50 years from the amendment date with the required lease prepayment of US\$73,847,525 (net of 10% withholding tax for rentals). But the lessor agreed with the Company to offset the total prepayment with the loan receivable from Three Star Investment Cambodia Ltd based on the three-party agreement among the Company, ultimate shareholder and Three Star Investment Cambodia Ltd (note 9). The right-of-use assets of US\$81,232,277 were recognised from the lease arrangement and the amount of US\$1,045,575 was credited to the right-of-use assets as an adjustment resulting from this lease modification.

Additions to the right-of-use assets during the 2022 were US\$7,252,107 (2021: US\$14,578,439).

(ii) Amounts recognised in the consolidated statement of profit or loss and other comprehensive income

The consolidated statement of profit or loss and other comprehensive income shows the following amounts relating to leases:

	2022		2021	
	US\$	Riel million	US\$	Riel million
Depreciation charge of right-of-use assets				
Land for office space	2,265,902	9,261	2,057,982	8,372
Land for cell sites	8,146,929	33,296	6,352,342	25,841
Buildings for service centres	297,375	1,215	375,449	1,527
	<u>10,710,206</u>	<u>43,772</u>	<u>8,785,773</u>	<u>35,740</u>
Interest expense (included in finance cost)	5,378,668	21,983	4,201,842	17,093
Expense relating to short-term leases (included in other operating costs)	679,086	2,775	743,387	3,024
	<u>6,057,754</u>	<u>24,758</u>	<u>4,945,229</u>	<u>20,117</u>
	<u>16,767,960</u>	<u>68,530</u>	<u>13,731,002</u>	<u>55,857</u>

The total cash outflow for leases in 2022 was US\$11,806,451 (2021: US\$10,467,818).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

7. INTANGIBLE ASSETS

	License fees	
	US\$	Riel million
As at 1 January 2021		
Cost	8,638,484	34,709
Accumulated amortisation	(5,658,781)	(22,890)
Currency translation differences	-	234
	<u>2,979,703</u>	<u>12,053</u>
Net book value as at 1 January 2021	2,979,703	12,053
Amortisation charge	(373,783)	(1,521)
Currency translation differences	-	85
At 31 December 2021	<u>2,605,920</u>	<u>10,617</u>
As at 31 December 2021		
Cost	8,638,484	34,709
Accumulated amortisation	(6,032,564)	(24,540)
Currency translation differences	-	448
	<u>2,605,920</u>	<u>10,617</u>
As at 1 January 2022		
Cost	8,638,484	34,709
Accumulated amortisation	(6,032,564)	(24,540)
Currency translation differences	-	448
	<u>2,605,920</u>	<u>10,617</u>
Net book value as at 1 January 2022	2,605,920	10,617
Amortisation charge	(373,782)	(1,528)
Currency translation differences	-	101
At 31 December 2022	<u>2,232,138</u>	<u>9,190</u>
As at 31 December 2022		
Cost	8,638,484	34,709
Accumulated amortisation	(6,406,346)	(26,183)
Currency translation differences	-	664
	<u>2,232,138</u>	<u>9,190</u>

8. ADVANCES TO SUPPLIERS FOR CAPITAL EXPENDITURE

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Nokia Solutions and Networks Oy	5,400,000	22,232	-	-
ZTE Corporation	851,555	3,506	4,217,468	17,182
ZTE HK (Cambodia) Co., Ltd	558,259	2,298	558,836	2,277
Huawei International Pte	2,375,582	9,780	1,914,008	7,798
Huawei Technologies (Cambodia) Co., Ltd	600,864	2,474	43,967	179
Other suppliers	476,715	1,965	383,720	1,563
	<u>10,262,975</u>	<u>42,255</u>	<u>7,117,999</u>	<u>28,999</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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9. LOAN TO A RELATED PARTY

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Principal	134,406,443	553,351	134,406,444	547,571
Interest receivable	239,177,575	984,694	219,115,796	892,680
	<u>373,584,018</u>	<u>1,538,045</u>	<u>353,522,240</u>	<u>1,440,251</u>

Loan to a related party represents loan to Three Star Investment Cambodia Ltd as a borrower that was effective on 25 November 2009. This loan was back to back to the Loan with a consortium of banks led by Bank of China Limited, Shenzhen Branch (see note 18).

The movement of the loan to a related party is as follows:

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
At 1 January	353,522,240	1,440,251	337,513,009	1,365,240
Interest charged	20,061,778	81,992	19,416,228	78,985
Repayment (*)	-	-	(3,406,997)	(13,860)
Currency translation difference	-	15,802	-	9,886
At 31 December	<u>373,584,018</u>	<u>1,538,045</u>	<u>353,522,240</u>	<u>1,440,251</u>

(*) On 31 December 2021, the ultimate shareholder agreed with the Company to repay the loan by offsetting the net payables to ultimate shareholder of US\$3,406,997 with this loan receivable (note 18).

The loan bears interest at the rate of 7.5% per annum. The loan is repayable on 31 December 2023. The repayment of both principal and interest of the loan shall be made in full at the end of the term of the loan.

However, the borrower is negotiating with the Company to extend the loan maturity and the Company does not expect to collect the payment in 2023, so the balance is presented as 'non-current asset' in the consolidated statement of financial position.

The fair value of the loan is US\$373,904,784 (2021: US\$357,197,446). Its fair value is based on cash flows discounted using the Commercial Facility Agreement (CFA)'s borrowing rate at year-end of 5.170% (2021: 5.170%).

10. PREPAYMENTS AND DEPOSITS

Prepayments and deposits represent prepayments made for rentals, insurance, lease lines, advertising, consultancy and other expenses and deposits to the customs department for temporary importation of equipment.

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Prepaid advertising	29,770	123	456,452	1,860
Prepaid insurance – networks	12,188	50	11,235	46
Deposits	589,338	2,426	308,697	1,258
Prepaid others	876,331	3,608	499,351	2,033
	<u>1,507,627</u>	<u>6,207</u>	<u>1,275,735</u>	<u>5,197</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

11. INVENTORIES

	2022	2022	2021	2021
	US\$	Riel million	US\$	Riel million
SIM cards	577,574	2,378	456,641	1,860
Prepaid telephone cards	274,839	1,132	340,415	1,387
Others	50,474	207	51,077	208
	<u>902,887</u>	<u>3,717</u>	<u>848,133</u>	<u>3,455</u>

Inventories recognised as an expense during the year ended 31 December 2022 amounted to US\$1,515,991 (2021: US\$1,270,520).

12. FINANCIAL INSTRUMENTS**12.1 Financial instruments by category**

Financial assets at amortised cost				
	2022	2022	2021	2021
	US\$	Riel million	US\$	Riel million
Assets as per consolidated statement of financial position				
Loan to a related party	373,584,018	1,538,045	353,522,240	1,440,250
Refundable deposits	500,000	2,059	-	-
Receivables from related parties	106,338	438	130,010	530
Trade and other receivables	3,144,927	12,948	3,266,090	13,306
Short-term deposit	-	-	1,500,000	6,111
Cash and cash equivalents	2,863,187	11,788	8,331,483	33,942
	<u>380,198,470</u>	<u>1,565,278</u>	<u>366,749,823</u>	<u>1,494,139</u>
Other financial liabilities at amortised cost				
	2022	2022	2021	2021
	US\$	Riel million	US\$	Riel million
Liabilities as per consolidated statement of financial position				
Borrowings	158,356,098	651,953	176,233,738	717,976
Trade and other payables	48,294,363	198,829	40,199,206	163,772
Other financial liabilities	17,814,252	13,397	44,495,565	182,760
Payables for capital expenditure	751,157	3,093	2,330,836	9,496
Payables to related parties	4,258,555	17,532	13,256,383	54,007
Accrued liabilities	33,545,173	138,105	19,536,104	64,115
Lease liabilities	41,774,602	171,986	40,956,152	166,855
	<u>304,794,200</u>	<u>1,194,895</u>	<u>337,007,984</u>	<u>1,358,981</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. FINANCIAL INSTRUMENTS (continued)**12.2 Credit quality of financial assets**

The credit quality of short-term deposit and cash at bank balances with licensed banks can be assessed by reference to external credit rates as follows:

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Local banks				
B	672,993	2,771	964,016	3,927
No rating	1,733,038	7,135	7,497,107	30,543
	<u>2,406,031</u>	<u>9,906</u>	<u>8,461,123</u>	<u>34,470</u>
Offshore licensed banks				
A3	348,348	1,434	1,121,574	4,569
	<u>2,754,379</u>	<u>11,340</u>	<u>9,582,697</u>	<u>39,039</u>

13. TRADE AND OTHER RECEIVABLES

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Trade receivables – airtime and subscription	789,077	3,249	822,870	3,352
Trade receivables – interconnect	891,113	3,669	590,075	2,404
Trade receivables – roaming	329,233	1,355	509,937	2,077
	<u>2,009,423</u>	<u>8,273</u>	<u>1,922,882</u>	<u>7,833</u>
Less: Provisions for impairment of trade receivables	<u>(304,190)</u>	<u>(1,252)</u>	<u>(430,988)</u>	<u>(1,756)</u>
Trade receivable – net	1,705,233	7,021	1,491,894	6,077
Other receivables	621,389	2,558	1,215,074	4,949
VAT receivables	41,722	172	-	-
Accrued revenues	818,305	3,369	559,122	2,278
Other advances	114,888	473	575,865	2,348
	<u>3,301,537</u>	<u>13,593</u>	<u>3,841,955</u>	<u>15,652</u>

The nominal value less impairment of trade receivables is assumed to approximate their fair values (see note 3.3).

Trade receivables are derived from the provision of telecom services to a large number of customers. Trade receivable from individual customers, from operators and roaming partners are at least annually reviewed and loss allowance is recognised using the CIFRS 9 simplified approach (see note 3.1(b)).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2022, trade receivables amounting to US\$304,190 (2021: US\$430,988) were impaired and provided for as follows:

Movement of loss allowance

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
At 1 January	430,988	(1,756)	430,988	1,743
Reversal of impairment loss	(126,798)	(516)	-	-
Currency translation differences	-	3,524	-	13
At 31 December	<u>304,190</u>	<u>1,252</u>	<u>430,988</u>	<u>1,756</u>

The carrying value of account receivable balances represents maximum credit risk exposure.

14. CASH AND CASH EQUIVALENTS

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Cash at bank	2,754,379	11,340	8,082,697	32,928
Cash on hand	<u>108,808</u>	<u>448</u>	<u>248,786</u>	<u>1,014</u>
	<u>2,863,187</u>	<u>11,788</u>	<u>8,331,483</u>	<u>33,942</u>

Included in the cash at bank is a current deposit accounts with J Trust Royal Bank Plc of US\$687,560 (2021: US\$5,786,424) which earns interest of ranging from 0.25% to 1.50% per annum (2021: 1.50% per annum).

The other balances are held at other local and overseas commercial banks as current accounts and saving accounts bearing the interest rates ranging from 0.5% to 5% per annum (2021: 0.50% per annum).

15. SHARE CAPITAL

	Number of Shares	US\$	Riel million
At 31 December 2021			
Ordinary shares	<u>5,000</u>	<u>5,000,000</u>	<u>20,370</u>
At 31 December 2022			
Ordinary shares	<u>5,000</u>	<u>5,000,000</u>	<u>20,585</u>

The authorised share capital of the Company is US\$5,000,000 divided into 5,000 ordinary shares, with a par value of US\$1,000 each. The ordinary shares are issued and fully paid up.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16. DEFERRED INCOME TAX LIABILITIES

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

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Deferred tax assets	(2,502,372)	(10,302)	(362,996)	(1,479)
Deferred tax liabilities	14,577,600	60,016	16,648,210	67,825
Deferred tax liabilities – net	<u>12,075,228</u>	<u>49,714</u>	<u>16,285,214</u>	<u>66,346</u>

The movement on the deferred tax account is as follows:

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
At 1 January	16,285,214	66,346	15,434,543	62,433
Charge to the consolidated profit or loss (note 27)	(4,493,909)	(18,366)	850,671	3,460
Currency translation differences	-	565	-	453
At 31 December	<u>11,791,305</u>	<u>48,545</u>	<u>16,285,214</u>	<u>66,346</u>

The movement of deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same jurisdiction, is as follows:

Deferred tax assets

	Loss allowance of trade and other receivables US\$	Leases US\$	Accrued expenses US\$	Total	
	US\$			US\$	Riel million
As at 1 January 2021	(87,502)	-	-	(87,502)	(354)
(Credited)/charged to consolidated profit or loss	1,304	-	(276,798)	(275,494)	(1,122)
Currency translation differences	-	-	-	-	(3)
As at 31 December 2021	<u>(86,198)</u>	<u>-</u>	<u>(276,798)</u>	<u>(362,996)</u>	<u>(1,479)</u>
As at 1 January 2022	(86,198)	-	(276,798)	(362,996)	(1,479)
(Credited)/charged to consolidated profit or loss	25,360	(259,324)	(2,189,335)	(2,423,299)	(9,977)
Currency translation differences	-	-	-	-	(15)
As at 31 December 2022	<u>(60,838)</u>	<u>(259,324)</u>	<u>(2,466,133)</u>	<u>(2,786,295)</u>	<u>(11,471)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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16. DEFERRED INCOME TAX LIABILITIES (continued)

Deferred tax liabilities

	Deferred trade payable US\$	Deferred loan transaction costs US\$	Accelerate tax depreciation US\$	Leases US\$	Gain on modification of other financial liabilities US\$	Total US\$	Riel million
As at 1 January 2021	174	434,703	14,926,006	161,162	-	15,522,045	62,787
(Credited)/charged to consolidated profit or loss	719,090	(98,377)	(589,761)	117,241	977,972	1,126,165	4,588
Currency translation differences	-	-	-	-	-	-	450
As at 31 December 2021	<u>719,264</u>	<u>336,326</u>	<u>14,336,245</u>	<u>278,403</u>	<u>977,972</u>	<u>16,648,210</u>	<u>67,825</u>
As at 1 January 2022	719,264	336,326	14,336,245	278,403	977,972	16,648,210	67,825
(Credited)/charged to consolidated profit or loss	(432,646)	54,087	(627,055)	(278,403)	(786,593)	(2,070,610)	(8,525)
Currency translation differences	-	-	-	-	-	-	716
As at 31 December 2022	<u>286,618</u>	<u>390,413</u>	<u>13,709,190</u>	<u>-</u>	<u>191,379</u>	<u>14,577,600</u>	<u>60,016</u>

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Deferred tax assets:				
Deferred tax assets to be recovered after more than 12 months	(5,209,594)	(21,448)	(638,490)	(2,601)
Deferred tax asset to be recovered within 12 months	2,423,299	9,977	275,494	1,122
	<u>(2,786,295)</u>	<u>(11,471)</u>	<u>(362,996)</u>	<u>(1,479)</u>
Deferred tax liabilities:				
Deferred tax liabilities to be recovered after more than 12 months	16,648,210	68,541	15,522,045	63,237
Deferred tax liabilities to be recovered within 12 months	(2,070,610)	(8,525)	1,126,165	4,588
	<u>14,577,600</u>	<u>60,016</u>	<u>16,648,210</u>	<u>67,825</u>
Deferred tax liabilities – net	<u>11,791,305</u>	<u>48,545</u>	<u>16,285,214</u>	<u>66,346</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

17. TRADE AND OTHER PAYABLES

	2022	2022	2021	2021
	US\$	Riel million	US\$	Riel million
<i>Current</i>				
Ministry of Post and Telecommunication (MPTC)	38,908,580	160,187	29,717,880	121,071
Value added tax payables	8,083,660	33,280	9,455,806	38,523
Telecom Cambodia (TC)	1,987,296	8,182	1,611,623	6,566
Telecom Regulator of Cambodia (TRC)	1,218,796	5,018	2,168,628	8,835
Subscribers' deposits	330,796	1,362	353,328	1,439
Accounts payable – roaming	1,825,903	7,517	3,146,834	12,820
Other taxes payable	20,172,529	83,050	18,578,665	75,689
Other payables	4,022,992	16,563	3,200,913	13,041
	<u>76,550,552</u>	<u>315,159</u>	<u>68,233,677</u>	<u>277,984</u>
	2022	2022	2021	2021
	US\$	Riel million	US\$	Riel million
<i>Non-current</i>				
Ministry of Post and Telecommunication (MPTC) (*)	2,692,858	11,086	16,636,781	67,778
Telecom Cambodia (TC) (*)	511,253	2,105	2,666,172	10,862
	<u>3,204,111</u>	<u>13,191</u>	<u>19,302,953</u>	<u>78,640</u>

(*) In 2021, MPTC and TC agreed with the Company for the instalment payments from 2021 to 2024 for the revenue sharing, contribution fund and transit fees for the years from 2017 to 2019.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18. BORROWINGS

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
<i>Current</i>				
Bank of China Limited – CFA	9,530,651	39,238	16,108,867	65,628
Canadia Bank Plc.	1,464,035	6,027	2,454,445	9,999
Neak Oknha Kith Meng	15,796	65	-	-
Union Commercial Bank Plc.	2,000,000	8,234	-	-
Mega International Commercial Bank Co., Ltd. Phnom Penh Branch	1,894,748	7,801	1,168,640	4,761
Maybank (Cambodia) Plc.	579,479	2,386	632,535	2,577
	<u>15,484,709</u>	<u>63,751</u>	<u>20,364,487</u>	<u>82,965</u>
<i>Non-current</i>				
Neak Oknha Kith Meng	11,418,000	47,008	11,418,000	46,517
Bank of China Limited – CFA	98,928,542	407,289	113,956,810	464,260
Canadia Bank Plc.	15,466,667	63,676	17,866,666	72,789
Union Commercial Bank Plc.	7,500,000	30,878	-	-
Mega International Commercial Bank Co., Ltd. Phnom Penh Branch	5,912,346	24,341	8,409,025	34,258
Maybank (Cambodia) Plc.	3,645,834	15,010	4,218,750	17,187
	<u>142,871,389</u>	<u>588,202</u>	<u>155,869,251</u>	<u>635,011</u>
	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Gross loan outstanding	157,957,845	650,312	175,837,619	716,362
Agency fee payables	2,350,320	9,676	1,500,000	6,111
Accrued interest expenses	(1,952,067)	(8,035)	1,567,538	6,386
Less: Transaction costs	-	-	(2,671,419)	(10,883)
	<u>158,356,098</u>	<u>651,953</u>	<u>176,233,738</u>	<u>717,976</u>

Loans from Bank of China Limited and Canadia Bank Plc.

On 24 January 2011, the Group entered into the Commercial Facility Agreement (CFA) amounting to US\$421 million for a period of 4 years. The facilities were arranged by Bank of China Limited (Shenzhen Branch), China Development Bank Corporation and China Merchants Bank Co. Ltd (Hong Kong Branch).

The CFA loan is used to refinance an existing loan from a syndication of banks led by Standard Bank Plc and Australia and New Zealand Banking Group Limited.

The CFA bears interest at the rate US\$ LIBOR plus margin of 3.5% and a transaction fee of 3.5%.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

18. BORROWINGS (continued)

Loans from Bank of China Limited and Canadia Bank Plc. (continued)

The loans are secured by:

- i first priority charge over onshore bank accounts
- ii debenture over Three Star Investment Cambodia Limited
- iii guarantees from Neak Oknha Kith Meng, Royal Millicom Co., Ltd. and Royal Group Co., Ltd. (RGC)
- iv five new properties in form of land lots
- v corporate guarantee and fixed and floating charges over assets of Cambodia Catering & Supply Co., Ltd

Bank of China Limited has also been granted a first priority security interest by way of a fixed and floating charge over all the existing and future assets of the Group, including the network, key licences, all leasehold interests in land and buildings, machinery, insurance policies and proceeds of insurance policies, shares and securities, negotiable instruments in favour of the Group, debts and proceeds of debts, stocks in trade, software and rights in software, and all intellectual property, including names, marks and patents.

Under the Supplemental Letter signed by both parties on 31 August 2016, the CFA loan has been extended for a further 5 years with last repayment in January 2024.

According to the Amendment Deed signed by the Company and Bank of China Limited on 10 July 2020, the interest rate margin relating to the transaction fee has been reduced from 3.5% to 1.5% and the instalment repayments of the CFA loan have been revised but it remains to be matured in January 2024.

Another Amendment Deed was signed by all contracting parties on 23 July 2021 where the outstanding CFA loan of US\$150,000,000 has been split into two facilities, one of which is arranged and lent by Canadia Bank Plc. with the principal amount of US\$20,000,000 and interest rate of 8.5% per annum. The instalment repayments of the loan have been revised with last repayment to be made in January 2026.

Loan from Neak Oknha Kith Meng

In 2020, the Company obtained a US\$16,300,000 loan from Neak Oknha Kith Meng. The loan is interest free and repayable on demand. A portion of the loan had been taken as an equity cure loan as defined in the CFA loan and the remaining amount of US\$4,882,000 had been used to offset with the loan to a related party (Note 9). The amount of US\$11,418,000 has been elected as equity cure in 2020 in calculating debt covenant with Bank of China Limited to cure the breach in debt during 2020.

The equity cure loan was made by a shareholder of the Company pursuant to Clause 18.7 of the CFA loan agreement for the purposes of curing the non-compliance with financial covenants set out in the loan agreement. The loan is subordinated in right of payment (in the event of bankruptcy or liquidation) to the CFA pursuant to the terms of the Finance Documents. Because the CFA loan is matured after 2023, the loan from Neak Oknha Kith Meng is classified as 'non-current liabilities' in the statement of financial position.

In 2021, the Company obtained additional loan of US\$4,217,746 but on 31 December 2021, the amount was agreed to be offset with the receivables from related parties of US\$810,749 and loan to a related party of US\$3,406,997. The Group obtained additional loan of US\$15,796 in 2022.

The fair value of loan from Neak Oknha Kith Meng is not materially different to its carrying amount since the loan is repayable on demand.

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18. BORROWINGS (continued)

Loan from Maybank (Cambodia) Plc.

On 23 September 2021, the Company obtained a loan of US\$5,000,000 from Maybank (Cambodia) Plc. The loan is charged with an interest rate of 7% per annum or Base Rate + 0.75% per annum, whichever is higher and is secured by hypothec over the proffered property owned by Neak Oknha Kith Meng. The Company shall repay the interest and principal on monthly basis. The maturity date is on 23 September 2029.

On 22 November 2022, the Company entered into another loan agreement to obtain additional of loan of US\$10,000,000. The loan was drawn down in April 2023.

Loan from Mega International Commercial Bank Co., Ltd. Phnom Penh Branch

On 30 September 2021, the Company obtained a loan of US\$10,000,000 from Mega International Commercial Bank Co., Ltd Phnom Penh Branch. The loan is charged with an interest rate of 6.75% or higher rate based on the Negotiable Certificate Deposit (NCD) issued by National Bank of Cambodia per annum and secured by the hypothec over the proffered property owned by Neak Oknha Kith Meng. The Company shall repay the interest and principal on monthly basis. The maturity date is on 30 September 2026. The Company has repaid the principal of US\$424,131 in 2021.

Loan from Union Commercial Bank Plc.

On 05 October 2022, the Company obtained a loan amounting to US\$10,000,000 from Union Commercial Bank Plc. The loan is charged with an interest rate of 6.75% per annum with the loan term of 60 months and secured by the property owned by Neak Oknha Kith Meng. The Company shall repay the interest and principal on monthly basis.

Fair value of the borrowings

Except for the loans from Bank of China Limited, the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. The fair value of the loan from Bank of China Limited is as follows:

	2022	2022	2021	2021
	US\$	Riel million	US\$	Riel million
Carrying value	108,459,193	588,202	130,065,677	635,011
Fair value	107,799,772	443,812	130,340,400	531,007

The fair value of the loan is based on cash flows discounted using a borrowing rate of 9.832% (2021: 5.170%). They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

Interest expense is calculated on the effective yield basis by applying the effective interest rate on the loan balances. Effective interest rate is the internal rate of return of the loans for that period.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19. PAYABLES FOR CAPITAL EXPENDITURE

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Nokia Shanghai Bell Co., Ltd	508,654	2,094	-	-
Huawei Technologies Co., Ltd	155,250	639	339,102	1,382
ZTE Corporation	-	-	838,967	3,418
ZTE HK (Cambodia) Co., Ltd	-	-	224,882	916
Other suppliers	87,253	360	927,885	3,780
	<u>751,157</u>	<u>3,093</u>	<u>2,330,836</u>	<u>9,496</u>

20. ACCRUED LIABILITIES

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Accrued direct costs	28,612,408	117,797	10,408,654	42,405
Provision and accrued operating expenses	4,943,118	20,351	7,150,982	29,133
Accrued capital expenditure (*)	1,409,263	5,802	1,398,537	5,698
	<u>34,964,789</u>	<u>143,950</u>	<u>18,958,173</u>	<u>77,236</u>

(*) Accrued capital expenditure represents liabilities with respect to fixed assets received where the corresponding invoices have not yet been received.

21. OTHER FINANCIAL LIABILITIES

The other financial liabilities represent the overdue trade payables to Nokia Shanghai Bell Co., Ltd and Branch of Nokia Shanghai Bell Co., Ltd, which were agreed in the settlement agreement in November 2021 that the trade payables shall be settled in instalments with the initial payment of US\$5,000,000 and subsequent minimum instalment payment of US\$1,000,000 each month for 3 years.

The Company expects to settle it based on the settlement terms so it will be entitled to waiver of accrued interest from the overdue trade payables. From such settlement arrangement, a gain from the trade payables modification of US\$4,693,148 was recognised in consolidated profit or loss in 2021 (see note 24).

In 2022, both parties agreed when the Company makes additional one-off cycle payment of US\$6 million to the existing instalment, it will be entitled to 75% waiver of the overdue interest payable charged in the previous periods (prior interest) and it will be entitled to remaining 25% waiver of the prior interest when it fully settles the remaining debt in accordance with the agreed instalment. The Company expects to settle it based on the settlement terms so it will be entitled to waiver of the prior interest of US\$13,778,884. Hence, the Company recognised a gain from this debt modification of US\$12,081,555 was recognised in consolidated profit or loss during the year (see note 24).

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
<i>Current</i>	9,264,565	38,142	9,961,415	40,583
<i>Non-current</i>	8,549,687	35,199	34,534,150	140,692
	<u>17,814,252</u>	<u>73,341</u>	<u>44,495,565</u>	<u>181,275</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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22. REVENUE

	2022	2022	2021	2021
	US\$	Riel million	US\$	Riel million
Provision of telecom services	186,551,012	762,434	166,812,368	678,593
Connection and subscription revenues	2,922,651	11,945	1,780,998	7,245
Equipment revenues	655	3	-	-
Other revenues	1,768,613	7,228	2,118,999	8,620
	<u>191,242,931</u>	<u>781,610</u>	<u>170,712,365</u>	<u>694,458</u>
	2022	2022	2021	2021
	US\$	Riel million	US\$	Riel million
<i>Timing of revenue recognition</i>				
At a point in time	655	3	-	-
Over time	191,242,276	781,607	170,712,366	694,457
	<u>191,242,931</u>	<u>781,610</u>	<u>170,712,366</u>	<u>694,457</u>

23. OTHER OPERATING COSTS

	2022	2022	2021	2021
	US\$	Riel million	US\$	Riel million
Operational costs to MPTC	41,448,350	169,399	16,336,626	66,457
Utilities	15,129,647	61,835	15,779,671	64,192
Dealers' commissions	13,979,347	57,134	13,918,999	56,622
Maintenance	7,038,142	28,765	6,034,573	24,549
Advertising and promotion costs	3,928,398	16,055	9,068,346	36,890
Customers' rewards	2,930,000	11,975	3,650,000	14,848
Specific tax expenses	2,202,364	9,001	4,313,727	17,548
Leased line charges	1,440,536	5,887	1,515,960	6,167
Roaming costs	620,777	2,537	209,816	854
Rentals	679,086	2,775	743,387	3,024
Insurance charges	22,219	91	423,414	1,722
Others	7,132,501	29,151	8,463,226	34,429
	<u>96,551,367</u>	<u>394,605</u>	<u>80,457,745</u>	<u>327,302</u>

24. GAIN ON MODIFICATION OF OTHER FINANCIAL LIABILITIES

In 2021, the Company negotiated and agreed on the instalment settlements of its overdue trade payables of US\$55 million with Nokia Shanghai Bell Co., Ltd and Branch of Nokia Shanghai Bell Co., Ltd. A gain of US\$4,693,148 was recognised during the year in the profit or loss because the trade payables were agreed to settle within 3 years with the waiver of accrued interest if the Company makes the payments based on the agreed instalments in 2021.

In 2022, the Company made additional one-off cycle payment of US\$6 million to the existing instalment and it expects to settle it based on the settlement terms so it will be entitled to waiver of the prior interest. Hence, it recognised a gain from this debt modification of US\$12,081,555 in 2022.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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25. FINANCE INCOME

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Three Star Investment Cambodia Ltd	20,382,544	83,303	19,416,228	78,985
Banks	329,616	1,348	77,845	317
	<u>20,712,160</u>	<u>84,651</u>	<u>19,494,073</u>	<u>79,302</u>

26. FINANCE COSTS

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Banks	13,750,575	56,199	12,046,895	49,007
Lease liabilities (note 6)	5,378,668	21,983	4,201,842	17,093
Others	3,163,469	12,928	306,457	1,247
	<u>22,292,712</u>	<u>91,110</u>	<u>16,555,194</u>	<u>67,347</u>

27. INCOME TAX EXPENSE

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

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Current tax	15,648,936	63,957	7,016,618	28,544
Deferred tax	(4,493,909)	(18,366)	850,671	3,460
	<u>11,155,027</u>	<u>45,591</u>	<u>7,867,289</u>	<u>32,004</u>

Reconciliation of income tax expense is as follows:

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Profit before income tax	51,726,221	211,406	35,662,958	145,077
Tax expenses at 20%	10,345,245	42,281	7,132,592	29,015
Tax effect of expenses not deductible for tax purposes	809,782	3,310	734,697	2,989
	<u>11,155,027</u>	<u>45,591</u>	<u>7,867,289</u>	<u>32,004</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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27. INCOME TAX EXPENSE (continued)

The movement of current income tax liabilities is as follows:

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
At 1 January	27,358,862	111,460	21,740,298	87,940
Income tax expense	15,648,936	63,957	7,016,618	28,544
Income tax paid	(1,755,356)	(7,174)	(1,398,054)	(5,687)
Currency translation differences	-	1,593	-	663
At 31 December	<u>41,252,442</u>	<u>169,836</u>	<u>27,358,862</u>	<u>111,460</u>

28. CASH GENERATED FROM OPERATIONS

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Profit before income tax	51,726,221	211,406	35,662,958	145,077
Adjustments for:				
Depreciation charge	30,304,901	123,856	32,737,590	133,177
Amortisation charge	373,782	1,528	373,783	1,521
(Gain)/loss on disposal of property, plant and equipment	(337,294)	(1,379)	528,134	2,148
Other (gains)/losses- net	320,766	1,311	-	-
Gain on modification of other financial Liabilities	(12,081,555)	(49,377)	(4,693,148)	(19,092)
Impairment of trade receivables	(126,798)	(518)	-	-
Employment seniority payment Obligations	(765,631)	(3,129)	577,930	2,351
Finance cost	22,292,712	91,110	16,555,194	67,347
Finance income	(20,712,160)	(84,651)	(19,494,073)	(79,302)
	<u>70,994,944</u>	<u>290,157</u>	<u>62,248,368</u>	<u>253,227</u>
Changes in working capital:				
Trade and other payables	6,222,561	25,432	(13,282,341)	(54,033)
Contract liabilities	(2,549,449)	(10,420)	1,735,567	7,060
Payables to related companies	(8,096,485)	(33,090)	(5,519,691)	(22,454)
Accrued liabilities	16,017,342	65,463	3,010,237	12,246
Trade and other receivables, gross	379,460	1,551	(281,794)	(1,146)
Prepayments and deposits	(731,892)	(2,991)	501,361	2,040
Inventories	(54,754)	(224)	365,360	1,486
Receivables from related companies	<u>23,672</u>	<u>97</u>	<u>2,021,777</u>	<u>8,225</u>
Cash generated from operations	<u>82,205,399</u>	<u>335,975</u>	<u>50,798,844</u>	<u>206,651</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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28. CASH GENERATED FROM OPERATIONS (continued)

In the cash flow statement, proceeds from sale of property, plant and equipment comprise:

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Net book value	2,689,668	10,993	819,583	3,339
Gain on sale of property, plant and equipment	337,294	1,378	(528,134)	(2,153)
Proceeds from sale of property, plant and equipment	<u>3,026,962</u>	<u>12,371</u>	<u>291,449</u>	<u>1,186</u>

a) Non-cash transactions

The principal non-cash transactions comprise:

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Offsetting the loan to a related party with payables to related parties, borrowings and long-term lease prepayments (note 9):				
(i) loan to a related party	-	-	(3,406,997)	(13,860)
(ii) borrowings	-	-	4,217,746	17,158
(iii) receivables from related parties	-	-	(810,749)	(3,298)

b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
Cash and cash equivalents	2,800,326	11,529	8,331,483	33,942
Short-term deposit	-	-	1,500,000	6,111
Loan receivables	373,584,018	1,538,045	353,522,240	1,440,250
Borrowings	(158,345,302)	(651,908)	(176,233,738)	(717,976)
Other financial liabilities	(17,814,252)	(73,341)	(44,495,565)	(181,275)
Long term trade payables	(3,204,111)	(13,191)	(19,302,953)	(78,640)
Lease liabilities	(41,582,999)	(171,197)	(40,956,152)	(166,855)
Net debt	<u>155,437,680</u>	<u>639,937</u>	<u>82,365,315</u>	<u>335,557</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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28. CASH GENERATED FROM OPERATIONS (continued)

b) Net debt reconciliation (continued)

	Liabilities from financing activities					Other assets				Net Debt US\$
	Long term trade payable US\$	Borrowings US\$	Other financial liabilities US\$	Leases US\$	Sub-total US\$	Cash and cash equivalents US\$	Short-term deposit US\$	Loan receivable US\$	Sub-total US\$	
As at 1 January 2022	(19,302,953)	(176,233,738)	(44,495,565)	(40,956,152)	(280,988,408)	8,331,483	1,500,000	353,522,240	363,353,723	82,365,315
Cash flows	18,037,367	29,901,396	15,600,000	11,794,642	75,333,405	(5,531,157)	(1,500,000)	-	(7,031,157)	68,302,248
Accrued interest income/(expense)	(1,938,525)	(12,012,960)	(1,000,242)	-	(14,951,727)	-	-	20,061,778	20,061,778	5,110,051
Gain on modification of other financial liabilities	-	-	12,081,555	-	12,081,555	-	-	-	-	12,081,555
Acquisition – leases	-	-	-	(7,048,696)	(7,048,696)	-	-	-	-	(7,048,696)
Interest on leases	-	-	-	(5,372,793)	(5,372,793)	-	-	-	-	(5,372,793)
As at 31 December 2022	<u>(3,204,111)</u>	<u>(158,345,302)</u>	<u>(17,814,252)</u>	<u>(41,582,999)</u>	<u>(220,946,664)</u>	<u>2,800,326</u>	<u>-</u>	<u>373,584,018</u>	<u>376,384,344</u>	<u>155,437,680</u>
Equivalent in Riel million	<u>(13,191)</u>	<u>(651,908)</u>	<u>(73,341)</u>	<u>(171,197)</u>	<u>(909,637)</u>	<u>11,529</u>	<u>-</u>	<u>1,538,045</u>	<u>1,549,574</u>	<u>639,937</u>

	Liabilities from financing activities					Other assets				Net Debt US\$
	Long term trade payable US\$	Borrowings US\$	Other financial liabilities US\$	Leases US\$	Sub-total US\$	Cash and cash equivalents US\$	Short-term deposit US\$	Loan receivable US\$	Sub-total US\$	
As at 1 January 2021	-	(183,944,143)	-	(33,575,191)	(217,519,334)	7,328,364	-	337,513,009	344,841,373	127,322,039
Cash flows	-	3,492,659	7,000,000	10,467,818	20,960,477	1,003,119	1,500,000	-	2,503,119	23,463,596
Accrued interest income/(expense)	-	-	(783,514)	-	(783,514)	-	-	16,009,231	16,009,231	15,225,717
Gain on modification of other financial liabilities	-	-	4,693,148	-	4,693,148	-	-	-	-	4,693,148
Acquisition – leases	-	-	-	(13,646,937)	(13,646,937)	-	-	-	-	(13,646,937)
Interest on leases	-	-	-	(4,201,842)	(4,201,842)	-	-	-	-	(4,201,842)
Transfers from payables in working capitals	(19,302,953)	-	(55,405,199)	-	(74,708,152)	-	-	-	-	(74,708,152)
Settlement of borrowings with loan receivable from a relate party	-	4,217,746	-	-	4,217,746	-	-	-	-	4,217,746
As at 31 December 2021	<u>(19,302,953)</u>	<u>(176,233,738)</u>	<u>(44,495,565)</u>	<u>(40,956,152)</u>	<u>(280,988,408)</u>	<u>8,331,483</u>	<u>1,500,000</u>	<u>353,522,240</u>	<u>363,353,723</u>	<u>82,365,315</u>
Equivalent in Riel million	<u>(78,640)</u>	<u>(717,976)</u>	<u>(181,275)</u>	<u>(166,855)</u>	<u>(1,144,746)</u>	<u>33,942</u>	<u>6,111</u>	<u>1,440,250</u>	<u>1,480,303</u>	<u>335,557</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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29. COMMITMENTS

(i) Capital and other commitments

	2022	2022	2021	2021
	US\$	Riel million	US\$	Riel million
Property, plant and equipment	<u>15,717,494</u>	<u>64,709</u>	<u>16,361,660</u>	<u>66,657</u>
	<u>15,717,494</u>	<u>64,709</u>	<u>16,361,660</u>	<u>66,657</u>

(ii) Operating lease commitments- Group as lessee

From 1 January 2019, the Group has recognised right-of-use assets for these leases while the commitment from the short-term leases is immaterial, so it is not disclosed.

30. RELATED PARTY TRANSACTIONS

(i) Related parties

(a) Parent and Ultimate parent

The Group is wholly owned by Royal Millicom Co., Ltd. (RMCL).

RMCL is a joint venture between Three Star Investment Cambodia Ltd, a company incorporated in Cayman Islands, with a 61.5% share and Royal Group Co., Ltd., a company incorporated in Cambodia with a 38.5% share.

Neak Oknha Kith Meng is the ultimate controlling party of the Group. He is a Director of the Company and both the parent companies, Three Star Investment Cambodia Ltd and Royal Group Co., Ltd. He is also a shareholder of Three Star Investment Cambodia Ltd and Royal Group Co., Ltd.

(b) Subsidiaries

Mobitel Company Limited and Telemobile (Cambodia) Corporation are wholly owned subsidiaries of the Company (refer to note 1).

(c) Fellow subsidiaries

Cambodian Broadcasting Services Co., Ltd. is a subsidiary of the Modern Times Group (MTG). MTG is owned by Three Star Investment Cambodia Ltd.

(d) Other related parties

Royal Technology Co. Ltd, Cambodia Catering and Supply Co., Ltd. and Hotel Cambodiana Phnom Penh are wholly owned by Royal Group Co., Ltd.

Mobile Refresh Company Limited is a subsidiary of Inter Logistics (Cambodia) Co., Ltd., a company owned by the Royal Group.

J Trust Royal Bank Plc, Infinity General Insurance Plc, Telcotech Ltd, Royal Media Entertainment Corporation Limited, Wing (Cambodia) Limited, Premium Auto Import Co., Ltd, Hotel Cambodiana Phnom Penh, Toll (Cambodia) Co., Ltd and Royal Group Power Co., Ltd. are related companies as Royal Group Co., Ltd. is one of their shareholders.

KMP Development Co. Ltd, Chailease Royal Finance Plc., Every Bright Rich Trading Company Ltd, Cambodia Life Micro Insurance Plc. and a few other companies whose balances and transactions disclosed below are related companies, with whom Neak Oknha Kith Meng is a shareholder.

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30. RELATED PARTY TRANSACTIONS (continued)

(ii) Balances with related parties

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
<i>Receivables from:</i>				
Fellow subsidiaries	-	-	1,420	6
Other related parties	106,338	438	128,590	524
	<u>106,338</u>	<u>438</u>	<u>130,010</u>	<u>530</u>
	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
<i>Payables to:</i>				
Ultimate shareholders (*)	2,574,184	10,598	-	-
Other related parties	1,684,371	6,934	13,256,383	54,007
	<u>4,258,555</u>	<u>17,532</u>	<u>13,256,383</u>	<u>54,007</u>

(*) The payables represent the advances from the ultimate shareholder. The payables shall be repaid to the ultimate shareholder in 2023.

The receivables and payables are unsecured, interest free and due to be settled in normal commercial terms.

Year-end balances arising from loans to related parties and borrowings are shown under notes 9 and 18.

(iii) The following transactions were carried out with fellow subsidiaries and other related parties:

	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
<i>Sales of various services:</i>				
Fellow subsidiaries	610	2	1,508	6
Other related parties	25,587,292	104,575	22,269,821	90,594
	<u>25,587,902</u>	<u>104,577</u>	<u>22,271,329</u>	<u>90,600</u>
	2022 US\$	2022 Riel million	2021 US\$	2021 Riel million
<i>Purchases of various goods and services:</i>				
Fellow subsidiaries	299,654	1,225	679,540	2,764
Other related parties	7,060,758	28,857	12,765,858	51,932
	<u>7,360,412</u>	<u>30,082</u>	<u>13,445,398</u>	<u>54,696</u>

The receivables and payables are unsecured, interest free and due to be settled in normal commercial terms.

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30. RELATED PARTY TRANSACTIONS (continued)

(iv) Transactions with ultimate shareholder

(i) Loan

The loan transaction with ultimate shareholder is shown in note 18.

(ii) Land lease

In 2011, a parcel of freehold land was leased from Neak Oknha Kith Meng and was fully paid in advance (see note 6). The arrangement is considered a purchase of land.

The other leases of land for office buildings and car parks are not considered purchases of land, so the right-of-use assets and lease liabilities are recognised in accordance with CIFRS 16 (note 6).

(v) Loan guarantees by the related parties

According to the CFA loan agreement and amendment letters of Bank of China Limited, the loans are secured by debenture over Three Star Investment Cambodia Limited, guarantees from Neak Oknha Kith Meng, Royal Millicom Co., Ltd and The Royal Group Co., Ltd. (RGC) and corporate guarantee and fixed and floating charges over assets of Cambodia Catering and Supply Co., Ltd, in addition to its own guarantees (see note 18).

(vi) Key management compensation

Key management include the Head of Departments and above of the Group and the compensation paid to them during the year as follows:

	2022	2022	2021	2021
	US\$	Riel million	US\$	Riel million
Salaries and other short-term employee benefits	<u>1,374,988</u>	<u>5,620</u>	<u>1,719,624</u>	<u>6,995</u>

31. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The Company is in the process of listing its shares in the Cambodia Securities Exchange (CSX). To meet the listing requirements, the Company on 17 March 2023 changed its legal name to CamGSM Plc. and registered a new share capital of US\$146,250,000, represented by 1,950 million shares with the face value of US\$0.075 per share.

On 29 March 2023, CSX granted approval in principle to the Company to list on its stock market. The Company expects that the listing process will be completed in June 2023.