Date: 30-06-2017

Dear Ratanak,

Pls attend the following

**1. Deviation**

- waiver of age deviation is not applicable as borrower is a company.

Yes

**2. Additional document to be obtained (with reason)**

-  Please furnish evidence of ownership of Paragon Market.

Based on Patent 2017, it is registered under company name, Phsar Big A. Co., Ltd. and stated the main business activity is Super Market.

- Please furnish signed income statement

Kindly refer to the attached file

- Please furnish all the lease agreement for Paragon Market.

As mentioned in CA, the lease agreement is not made for existing tenants. But some the expired leasing contracts are provided. Please see on page 13 for further information.

- Please furnish debtor aging report

Report is not properly recorded as it is operated as a family business.

- Please furnish CBC, World Check etc

Kindly refer to the attached file

**3. Additional information**

1. Why we not structure as LC/TR facility with some OD only?

The LC/TR is not met their business nature as they mostly import all goods and pay by cash. The OD is suitable for the business as it is required for their business cycle.

1. The requested USD6.4M is too high as noted the reported revenue at over USD9M combined is not properly justified with average deposit of only USD4M.

Actually, sale is not 100% channeled with the bank as they also serviced with private money changer since it is lower charge and the suppliers are satisfied with this method as well. The applicant revealed that this process will gain profit on tax both seller and buyer. Noticeably, monthly turnover of credit and debit reported of 7M or 8M per month. They further stated that it will be more than this (8M) after finished the rain season, especially on Khmer New Year and Pchom Ben Day.

1. Please insert land and building cost psqm in the security section .

Yes

1. Is the paragon market charged to any FI? Can we negotiate to get all landed property instead of P2 vacant land?

The applicant rent the land to construct a Paragon Market with tenure of 30 years (2006 to 2036) with monthly rental fee of USD5,000. (Verbally disclosed by Mdm. Chan Sarun and the rental agreement will be submitted later).

1. Is Mdm Chan Married? Any children helping in the business? Noted both guarantor is advance age.

She is married with a son, 22 years old, who is studying in Thai.

1. With revenue of over USD90M, borrower should have kept a proper aging list, please explore for our further assessment while your justification that no proper document is not supported.

Most revenue derived from selling sugar and SMG. Aging list is based on the sale invoice. Evidentially, we noted that the partial settlement is gradually recorded in the sale invoice. Please refer to the sample invoice as per attachment.

1. Why CA page 10 show same buyer and seller i.e.Cofco (China ) & Cofco (SG) and Thai fermentation?

Will be amended as it is typo error

1. Please insert detail market standing of borrower for their 2 main products. Noted MSG is a crowded market with many established player such as Know, Ajinomoto etc who has larger presence and brand name, how to sustain the growth?

Presently, there are few main competitors who are in the same scale of business (Importer). Beside the spoon (the applicant’s brand name), Ajinomoto is also well known as a brand name in Cambodia. But the spoon has launched in Cambodia Market for more than 30 years with strongly supported with current market. Also, the refined sugar from Thailand is considered as a quality products comparing to domestic products. Moreover, the current market demand is still supplied from other country while the domestic producers are in under cultivation and the out-put is limited where cannot meet the domestic demand.

1. For their sugar business, please provide more in depth market information as noted the biggest sugar manufacture i.e. Ly Yong Phat’s factory is already producing many sugars. Your statement claimed borrowers as the largest supplier of both products which is hardly justified.

The applicant is a main domestic supplier in Cambodia who imported goods from Thailand, China, and Singapore, distributing a cross Cambodia. The competitors are mentioned on the businessmen who are in the same scale of business (import) not producers.

Based on the Phnom Penh Post news in early Mar 2017, they reported that there currently are main 5 producers in Cambodia consist of Rui Feng and its four sister companies, Kamadhenu Ventures (Cambodia) Ltd, Phnom Penh Sugar Co Ltd (Ly Yong Phat), Yellow Field International Ltd, and Koh Kong Sugar Industry Co Ltd, but note that those are under cultivation. And most of the products are exported only.

1. The total deposit in MBB is only USD4M, it did not justify the combined monthly declared revenue of USD9.4M or USD7.7M in 2016. This is not acceptable. Please obtain more information.

Even the average monthly deposit is at USD4M only for the last 5 months, Branch justified their sale based on the furnished purchase invoice and inventory while average purchase order is at USD4.3M per month. If so, the sale should be at least 8M per month (2times of purchase) including inventory to well-manage on cycle of sale and collection.

Noted that the total deposit does not reflect the sale, it is their collection payment from their customers and the business also needs to give credit term to their customers too.

1. Why they are willing to come to us at significantly higher interest rate besides than we offer OD? We might end up paying for the IF loan with MBB instead.

The applicant applies loan with us based on the following reason

* Maybank: the additional limit is over the single customer’s exposure while the O/S is USD9M.
* Kookmin: The applicant is offered with a short tenure (6 months) subject to renewal with full settlement in the bank’s account. The tenure is not comfortable for them to well manage their working capital in trading business.

**Note:** Philip Bank is also processing the loan to refinance from KB too and they also plan to sell the property being charged with MB therefore, they need to find a bank to support their business operation before they can settle facility at MB.

1. The market rental income should be substantiated by rental agreement as there is no justification on the income. The projection for the market should be based on total available sqm for leasing against occupancy, it shouldn’t be based on percentage of increase in revenue, please structure separately.

Yes, income statement will be structured based on sqm of rental and occupancy rate. But the validity of rental agreement is still not provided as already mentioned in CA on page 13.

1. What is the daily consumer products mentioned? Refer to paragon supermarket? Again no justification or whatsoever provided . please address.

The detail information of consumer products is not mentioned by the applicant. They just revealed that those are imported from Thailand and distributed to local dealers as well as a super market in Paragon.

1. Overall, the case lacks in depth industry analysis and business information with only brief information. A detail aging list is required for such large trading company and it is not realistic to not have one with turnover of USD9M per month. All facility in OD is also not recommended as we have no control over fund usage and the limit is hard limit with no reduction with low security coverage of 1.01x only with no buffer in case collateral deteriorate in value.

The applicant still request OD to well managed their cash flow. Otherwise, it is up to the management approval.

**4. Others**

-  Please amend CRR as there is no balance sheet or cash flow, financial score should be zero.

Yes

- Please amend CA with above addressed.

Yes

- total waiver of settlement fee is not recommended, we should charge if borrower refinance at the minimum.

It is up to the management approval; however, the applicant requests on waiver.

Dear Ratanak,

Since the market is to be renovated with deteriorating occupancy rate, how do you get 72% occupancy in 2017? Noted from visit to the market, there has never been fully occupied with only one permanent tenant which is a suki soup shop and the super market owned by borrower? in this case, you projected occupancy for 2017 is not realistic as now is already July with first 5 months at 30% only, how to achieve 72% per projection?

Okay, I will revise.

On the facility type, again 100% OD is not supported while they have Invoice financing with MBB, we cannot structure all in OD, some TL at the minimum is required to pay down the exposure.

After negotiation with customer, she agrees to structure TL for refinance loan with Kookmin only.

Who is the husband of Chan Sarun? Can we rope as guarantor?

Mdm. Chan Sarun is divorced. That is why there is no her husband joint borrowing at Maybank and Kookmin.

There should be some aging report? What is the outstanding for each customer stated in the CA? we need to know the concentration risk instead of just saying don’t have since this is a large business.

She said she will provide later as now she is in Thailand. But to faster proceed, please submitted to KL for approval first.

Please furnish the summarized sales/purchase invoice stated in CA page 16.

Please refer to the attached file.

Pls also insert request to waive renewal and commitment fee which was omitted but I am also not supportive to waive commitment fee while renewal fee should be kept at min of 0.25%

Yes. But we do not request to waive commitment fee. And the renewal fee should be waived as per the customer request due to we charge interest rate at 8% p.a. higher than Kookmin’s, i.e. 7.25% p.a.

And, she decides to refinance loan from Kookmin is because it cannot offer additional loan with the big amount based on the bank’s policy.

Don’t forget to insert the USD300K loan with Kookmin in the CA as there is a total of USD2.8M not USD2.5

Yes.