

Registration No:
Co.7175 Et/2004

**PHNOM PENH AUTONOMOUS PORT
(INCORPORATED IN CAMBODIA)**

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER ENDED 31 MARCH 2022**


Registration No:
Co.7175 Et/2004

**PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)**

CONTENTS	PAGE
STATEMENT BY THE DIRECTORS	1
REPORT ON THE REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION	2
CONDENSED STATEMENT OF FINANCIAL POSITION	3 - 4
CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	5
CONDENSED STATEMENT OF CHANGES IN EQUITY	6 - 7
CONDENSED STATEMENT OF CASH FLOWS	8 - 9
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION	10 - 25

**PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)**

STATEMENT BY THE DIRECTORS

In the opinion of the Directors, the accompanying condensed statement of financial position of Phnom Penh Autonomous Port (“PPAP”) as at 31 March 2022, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and condensed notes to the interim financial information (collectively known as “Condensed Interim Financial Information”) are presented fairly, in all material respects, in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*. 

For and on behalf of the board of Directors,




Ms. Chheav Vanthea
Head of Accounting/Finance
Department

Hei Bavy
Chairman and Chief Executive Officer

Phnom Penh, Cambodia
Date: *11. May 2022*

**REPORT ON THE REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)
(Registration No: Co.7175 Et/2004)**

Introduction

We have reviewed the accompanying condensed statement of financial position of Phnom Penh Autonomous Port (“PPAP”) as at 31 March 2022, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and condensed notes to the interim financial information (collectively known as “Condensed Interim Financial Information”). The Directors of PPAP are responsible for the preparation of and presentation of the Condensed Interim Financial Information. Our responsibility is to express a conclusion on this Condensed Interim Financial Information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Cambodian International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Interim Financial Information of PPAP is not presented fairly, in all material respects, in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*.


BDO (Cambodia) Limited

Phnom Penh, Cambodia
Date: 11 May 2022

**PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)**

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022**

	Note	Unaudited 31 March 2022		Audited 31 December 2021	
		US\$	KHR'000	US\$	KHR'000
ASSETS					
Non-current assets					
Property, plant and equipment	4	104,658,589	423,867,285	103,328,375	420,959,800
Right-of-use assets	5	3,635,859	14,725,229	3,660,992	14,914,881
Investment properties	6	84,614,036	342,686,846	84,626,863	344,769,840
Lease receivables	5	4,293,032	17,386,780	4,296,588	17,504,300
Other receivable	7	70,289	284,670	67,585	275,341
Deferred tax assets	8	95,385	386,309	140,376	571,892
		<u>197,367,190</u>	<u>799,337,119</u>	<u>196,120,779</u>	<u>798,996,054</u>
Current assets					
Trade and other receivables	7	7,891,188	31,959,311	5,134,521	20,918,039
Lease receivables	5	14,017	56,769	13,886	56,572
Cash and bank balances	9	15,353,639	62,182,238	18,614,700	75,836,288
		<u>23,258,844</u>	<u>94,198,318</u>	<u>23,763,107</u>	<u>96,810,899</u>
TOTAL ASSETS		<u>220,626,034</u>	<u>893,535,437</u>	<u>219,883,886</u>	<u>895,806,953</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	10	114,453,485	457,813,940	114,453,485	457,813,940
Share premium	11	155,502	622,008	155,502	622,008
Reserves	12	57,466,697	232,740,123	45,861,380	186,839,262
Retained earnings		3,361,278	13,656,872	12,686,797	51,686,011
Currency translation difference		-	5,686,754	-	8,481,066
TOTAL EQUITY		<u>175,436,962</u>	<u>710,519,697</u>	<u>173,157,164</u>	<u>705,442,287</u>
LIABILITIES					
Non-current liabilities					
Other payable	13	35,145	142,337	33,793	137,673
Borrowings	14	17,594,780	71,258,859	18,629,767	75,897,671
Provision for retirement benefits	15	572,589	2,318,985	555,829	2,264,447
Lease liabilities	5	6,731,843	27,263,964	6,778,885	27,617,177
Contract liabilities	16	13,575,000	54,978,750	13,650,000	55,610,100
		<u>38,509,357</u>	<u>155,962,895</u>	<u>39,648,274</u>	<u>161,527,068</u>

**PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)**

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022 (continued)**

	Note	Unaudited 31 March 2022		Audited 31 December 2021	
		US\$	KHR'000	US\$	KHR'000
EQUITY AND LIABILITIES					
(continued)					
LIABILITIES (continued)					
Current liabilities					
Trade and other payables	13	3,589,586	14,537,823	2,393,907	9,752,778
Borrowings	14	2,069,974	8,383,395	2,069,974	8,433,074
Lease liabilities	5	9,349	37,863	9,261	37,729
Contract liabilities	16	300,000	1,215,000	300,000	1,222,200
Current tax liabilities		710,806	2,878,764	2,305,306	9,391,817
		<u>6,679,715</u>	<u>27,052,845</u>	<u>7,078,448</u>	<u>28,837,598</u>
TOTAL LIABILITIES		<u>45,189,072</u>	<u>183,015,740</u>	<u>46,726,722</u>	<u>190,364,666</u>
TOTAL EQUITY AND LIABILITIES		<u>220,626,034</u>	<u>893,535,437</u>	<u>219,883,886</u>	<u>895,806,953</u>

The Condensed Statement of Financial Position should be read in conjunction with the audited financial information for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE QUARTER AND THREE-MONTH PERIOD ENDED 31 MARCH 2022

	Note	Three-month period ended			
		Unaudited		Unaudited	
		31 March 2022 ⁽¹⁾		31 March 2021 ⁽²⁾	
		US\$	KHR'000	US\$	KHR'000
Revenue	18	8,933,180	36,295,511	7,165,232	29,083,676
Cost of services	19	(2,885,318)	(11,723,047)	(2,244,724)	(9,111,335)
Gross profit		6,047,862	24,572,464	4,920,508	19,972,341
Other income	20	565,066	2,295,863	952,810	3,867,454
General and administrative expenses	21	(2,140,462)	(8,696,699)	(1,678,494)	(6,813,011)
Operating profit		4,472,466	18,171,628	4,194,824	17,026,784
Finance costs	22	(261,974)	(1,064,400)	(280,951)	(1,140,380)
Profit before tax		4,210,492	17,107,228	3,913,873	15,886,404
Taxation	23	(849,214)	(3,450,356)	(472,032)	(1,915,978)
Profit for the financial period		3,361,278	13,656,872	3,441,841	13,970,426
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss:					
Re-measurements of defined benefit liability		-	-	(410)	(1,663)
Total comprehensive income for the financial period		3,361,278	13,656,872	3,441,431	13,968,763
Earnings per share					
Basic	24	0.16	0.66	0.17	0.68
Diluted	24	0.16	0.66	0.17	0.68

Notes:

(1) *The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.*

(2) *The comparative figures for the corresponding period were reviewed but not audited.*

PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)

CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

	Note	Share capital US\$	Share premium US\$	Reserves US\$	Retained earnings US\$	Currency translation difference US\$	Total US\$
Balance as at 1 January 2022		114,453,485	155,502	45,861,380	12,686,797	-	173,157,164
Profit for the financial period, representing total comprehensive income for the financial period		-	-	-	3,361,278	-	3,361,278
Transactions with owners							
Transfer to reserves	12	-	-	11,605,317	(11,605,317)	-	-
Dividends	25	-	-	-	(1,081,480)	-	(1,081,480)
Total transactions with owners		-	-	11,605,317	(12,686,797)	-	(1,081,480)
Balance as at 31 March 2022⁽²⁾		114,453,485	155,502	57,466,697	3,361,278	-	175,436,962
<i>(KHR'000 equivalent)</i>		<i>457,813,940</i>	<i>622,008</i>	<i>232,740,123</i>	<i>13,656,872</i>	<i>5,686,754</i>	<i>710,519,697</i>

PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)

CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (continued)

	Note	Share capital US\$	Share premium US\$	Reserves US\$	Retained earnings US\$	Currency translation difference US\$	Total US\$
Balance as at 1 January 2021		114,453,485	155,502	36,539,606	10,079,232	-	161,227,825
Profit for the financial period		-	-	-	12,707,831	-	12,707,831
Actuarial loss on retirement benefit obligation		-	-	-	(21,034)	-	(21,034)
Total comprehensive income		-	-	-	12,686,797	-	12,686,797
Transactions with owners							
Transfer to reserves	12	-	-	9,321,774	(9,321,774)	-	-
Dividends		-	-	-	(757,458)	-	(757,458)
Total transactions with owners		-	-	9,321,774	(10,079,232)	-	(757,458)
Balance as at 31 December 2021⁽¹⁾		114,453,485	155,502	45,861,380	12,686,797	-	173,157,164
<i>(KHR'000 equivalent)</i>		<i>457,813,940</i>	<i>622,008</i>	<i>186,839,262</i>	<i>51,686,011</i>	<i>8,481,066</i>	<i>705,442,287</i>

Notes:

(1) *Should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.*

(2) *The comparative figures for the corresponding period were reviewed but not audited.*

PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)

CONDENSED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022

	Note	Unaudited			
		Three-month period ended			
		31 March 2022 ⁽¹⁾		31 March 2021 ⁽²⁾	
		US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities					
Profit before tax		4,210,492	17,107,228	3,913,873	15,886,404
Adjustments for:					
Depreciation of property, plant and equipment	4	913,392	3,711,112	732,698	2,974,021
Depreciation of investment properties	6	12,827	52,116	15,769	64,006
Depreciation of right-of-use assets		25,133	102,115	25,133	102,015
Finance costs		260,622	1,058,907	279,651	1,135,103
Impairment/(Reversal of impairment) loss on receivables		374,191	1,520,338	(344,700)	(1,399,137)
Interest income		(260,957)	(1,060,268)	(333,943)	(1,355,474)
Net of unwinding effect of long term deposit		(1,352)	(5,493)	(1,299)	(5,273)
Retirement benefit obligation expenses	15	22,207	90,227	25,600	103,910
Operating profit before changes in working capital		5,556,555	22,576,282	4,312,782	17,505,575
Changes in working capital					
Trade and other receivables		(3,060,834)	(12,436,169)	259,199	1,052,088
Trade and other payables		334,880	1,360,617	615,549	2,498,514
Contract liabilities		(75,000)	(304,725)	(75,000)	(304,425)
Cash generated from operations		2,755,601	11,196,005	5,112,530	20,751,752
Tax paid		(2,398,723)	(9,746,012)	(2,040,649)	(8,282,994)
Retirement benefit obligation paid	15	(5,447)	(22,131)	(4,735)	(19,219)
Net cash from operating activities		351,431	1,427,862	3,067,146	12,449,539
Cash flows from investing activities					
Purchase of property, plant, and equipment	4	(2,243,606)	(9,115,771)	(2,080,258)	(8,443,767)
Interest received		194,359	789,681	273,391	1,109,694
Withdrawal of fixed deposits		1,000,000	4,063,000	-	-
Net cash used in investing activities		(1,049,247)	(4,263,090)	(1,806,867)	(7,334,073)

**PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)**

**CONDENSED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 MARCH 2022 (continued)**

	Note	Unaudited			
		Three-month period ended			
		31 March 2022 ⁽¹⁾		31 March 2021 ⁽²⁾	
		US\$	KHR'000	US\$	KHR'000
Cash flows from financing activities					
Interest paid		(413,995)	(1,682,062)	(455,394)	(1,848,444)
Payment for lease liabilities		(114,263)	(464,251)	(15,506)	(62,939)
Repayments of borrowings		(1,034,987)	(4,205,152)	(1,034,987)	(4,201,012)
Net cash used in financing activities		(1,563,245)	(6,351,465)	(1,505,887)	(6,112,395)
Net decrease in cash and cash equivalents		(2,261,061)	(9,186,693)	(245,608)	(996,929)
Cash and cash equivalents at beginning of financial period		6,614,700	26,948,288	2,683,841	10,856,137
Currency translation differences		-	(129,357)	-	3,444
Cash and cash equivalents at end of financial period	9	<u>4,353,639</u>	<u>17,632,238</u>	<u>2,438,233</u>	<u>9,862,652</u>

Notes:

(1) *The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.*

(2) *The comparative figures for the corresponding period were reviewed but not audited.*

PHNOM PENH AUTONOMOUS PORT
(Incorporated in Cambodia)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
31 MARCH 2022

1. CORPORATE INFORMATION

Phnom Penh Autonomous Port (“PPAP”) was registered under the Sub-Decree number 51 អនក្រឹត្យ on 17 July 1998 as a state-owned public enterprise supervised by the Ministry of Economy and Finance (“MEF”) and the Ministry of Public Works and Transport (“MPWT”). PPAP was listed on the Cambodia Securities Exchange on 9 December 2015 with the security certificate number 003 CSX/SC and became a state-owned public enterprise offering shares to the public.

The registered office and principal place of business of PPAP is located at No. 649, Preah Sisowat Quay, Sangkat Sras Chork, Khan Duan Penh, Phnom Penh, Kingdom of Cambodia.

The condensed interim financial information are presented in United States Dollar (“US\$”), which is also PPAP’s functional currency. Additional disclosures are also made in Khmer Riel (“KHR”) to meet the requirement of the Law on Accounting and Auditing. PPAP uses the following official closing and average rates of exchange for the translation:

		Closing rate	Average rate
31 March 2022	US\$1 =	KHR4,050	KHR4,063
31 December 2021	US\$1 =	KHR4,074	KHR4,068
31 March 2021	US\$1 =	KHR4,045	KHR4,059

These convenience translations should not be constructed as representations that the United States Dollars amounts have been, could have been, or could be in the future be, converted into Khmer Riel at this or any other rate of exchange.

The condensed interim financial information was authorised for issue by the Board of Directors on 11 May 2022.

2. PRINCIPAL ACTIVITIES

PPAP has responsibilities as port authority and port operator, including but not limited to:

- Provide pilotage navigating the vessel entering into or departing from port;
- Provide vessel’s berth;
- Provide a location for vessel repairing and fuel refilling;
- Provide dredging service and maintain navigation channel;
- Monitor operation according to technical standard and ensure safety, environmental sustainability, and orders in the port’s commercial zone;
- Check ship documents in order to complete the formalities for vessel entering into-departing from the port;
- Train human resources in navigation and port sector through the Cambodia Maritime Institute;
- Develop port infrastructure through cooperation with the domestic and foreign development partners in order to expand container terminal, general/bulk cargo terminal, feeder port, and passenger/tourist terminal;
- Establish port supporting areas, including special economic zone, industrial zone, agricultural products procession zone and logistics zone;
- Take various measures in order to ensure the enforcement of laws and legal norms related to port and means of water transportation;
- Lift on- lift off (“LOLO”), load-unload, and store cargo;
- Transport goods within port area, between the port and industrial area;
- Provide bonded warehouse service, temporary customs warehouse service and container yard;
- Provide tug-boat assistance and mooring-unmooring service;
- Provide logistics supply, pure water, and hygiene service to vessel;
- Provide container stuffing-unstuffing service;

2. PRINCIPAL ACTIVITIES (continued)

- Provide container repair and maintenance service;
- Provide tourist/passenger terminal and domestic port service; and
- Operate other business of any kinds authorised by the laws and legal norms in force to support the growth of PPAP.

3. BASIS OF PREPARATION

The interim financial report is unaudited and has been prepared in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*. The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached herein.

The explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the PPAP since the financial year ended 31 December 2021.

The accounting policies and methods of computation adopted are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2021 except for the adoption of the following amendments:

	Effective Date
Annual Improvements to CIFRS Standards 2018 - 2020	1 January 2022
Amendments to CIFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to CIAS 16 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to CIAS 37 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022

Annual Improvements to CIFRS Standards 2018 - 2020

The annual improvement amend the following standards:

- CIFRS 1 *First-time Adoption of International Financial Reporting Standards* to permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- CIFRS 9 *Financial Instruments* to clarify the fees included in the "10 per cent" test in paragraph B3.3.6 of CIFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf are included.
- CIFRS 16 *Leases* to amend Illustrative Example 13 to remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- CIAS 41 *Agriculture* to remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

Amendments to CIFRS 3 Reference to the Conceptual Framework

Amendments are made to various accounting standards to reflect the issue of the revised *Conceptual Framework for Financial Reporting* and apply to for-profit sector entities that have public accountability and are required by legislation to comply with CIFRSs and other for-profit entities that elect to apply the *Conceptual Framework*, for annual reporting periods beginning on or after 1 January 2020.

3. BASIS OF PREPARATION (continued)

Amendments to CIAS 16 Property, Plant and Equipment - Proceeds before Intended Use

The amendments to CIAS16 *Property, Plant and Equipment* prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

Amendments to CIAS 37 Onerous Contracts - Cost of Fulfilling a Contract

The amendments to CIAS 37 *Provisions, Contingent Liabilities and Contingent Assets* to specify that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The following are accounting standards and amendments that have been issued but have not been early adopted by PPAP:

	Effective Date
Amendments to CIAS 1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
CIFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to CIFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to CIFRS 4 <i>Insurance Contract - Extension of the Temporary Exemption from Applying CIFRS 9</i>	1 January 2023
<i>Initial Application of CIFRS 17 and CIFRS 9 - Comparative Information</i> (Amendments to CIFRS 17 <i>Insurance Contracts</i>)	1 January 2023
<i>Disclosure of Accounting Policies</i> (Amendments to CIAS 1 <i>Presentation of Financial Statements</i>)	1 January 2023
<i>Definition of Accounting Estimates</i> (Amendments to CIAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>)	1 January 2023
Amendments to CIAS 12 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to CIFRS 10 and CIAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

PPAP is in the process of making an assessment of the potential impact from the adoption of these accounting standards and amendments hence the Directors are not yet in a position to conclude on the potential impact on the results and the financial position of PPAP.

The possible effects from the adoption of the above accounting standards and amendments are as follows:

Amendments to CIAS 1 Classification of Liabilities as Current or Non-current

CIAS 1 *Presentation of Financial Statements* has been amended to:

- Clarify that the classification of liabilities as current or non-current is based on rights that in existence at the end of the reporting period;
- Specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;
- Explain that rights are in existence if covenants are complied with at the end of the reporting period; and
- Introduce a definition of “settlement” to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

3. BASIS OF PREPARATION (continued)

The possible effects from the adoption of the above accounting standards and amendments are as follows: (continued)

CIFRS 17 Insurance Contracts

CIFRS 17 replaces CIFRS 4 and requires a current measurement model where estimates are re-measured each reporting period.

Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and
- a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under CIFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the “variable fee approach” for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach the entity’s share of the fair value changes of the underlying items is included in the contractual service margin. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Amendments to CIFRS 17 Insurance Contracts

The amendments to CIFRS 17 *Insurance Contracts* defer the effective date from annual periods beginning on or after 1 January 2021 to 1 January 2023. For entities that have elected to defer CIFRS 9 *Financial Instruments*, the mandatory effective date has also been deferred until 1 January 2023.

The IASB has amended CIFRS 17 to:

- Reduce costs (some requirements have been simplified to reduce costs such as systems development costs);
- Make results easier to explain; and
- Ease transition (the deferred application date gives insurers more time to prepare for first-time adoption of CIFRS 17 and in some cases, CIFRS 9 as well, and also provides more transition reliefs to reduce complexity of applying CIFRS 17 for the first time).

Amendments to CIFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying CIFRS 9

CIFRS 4 was amended to require insurers applying the temporary exemption from CIFRS 9 (i.e. those insurers that continue to apply CIAS 39) to apply the same practical expedient as those entities applying CIFRS 9.

3. BASIS OF PREPARATION (continued)

Initial Application of CIFRS 17 and CIFRS 9 - Comparative Information (Amendments to CIFRS 17 Insurance Contracts)

The amendments remove accounting mismatches between insurance contract liabilities and financial assets in scope of CIFRS 9 within comparative prior periods when initially applying CIFRS 17 and CIFRS 9. The amendments allow insurers to present comparative information on financial assets as if CIFRS 9 were fully applicable during the comparative period. The amendments do not permit application of CIFRS 9 hedge accounting principles to the comparative period.

Disclosure of Accounting Policies (Amendments to CIAS 1 Presentation of Financial Statements)

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies.

Definition of Accounting Estimates (Amendments to CIAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to CIAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrowed the scope of the recognition exemption in paragraphs 15 and 24 of CIAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Amendments to CIFRS 10 and CIAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

4. PROPERTY, PLANT AND EQUIPMENT

	Unaudited 31 March 2022 US\$	Audited 31 December 2021 US\$
<i>Cost</i>		
Balance at the beginning of financial period/year	127,914,165	110,226,053
Additions	<u>2,243,606</u>	<u>17,688,112</u>
Balance at the end of financial period/year	<u>130,157,771</u>	<u>127,914,165</u>
<i>Accumulated depreciation</i>		
Balance at the beginning of financial period/year	24,585,790	21,396,190
Depreciation for financial period/year	<u>913,392</u>	<u>3,189,600</u>
Balance at the end of financial period/year	<u>25,499,182</u>	<u>24,585,790</u>
Carrying amounts		
Balance at the end of financial period/year	<u>104,658,589</u>	<u>103,328,375</u>
<i>(KHR '000 equivalent)</i>	<u>423,867,285</u>	<u>420,959,800</u>

5. LEASES

Right-of-use assets and lease liabilities are in respect of a 40 year lease of land from Green Trade Co., Ltd.

Lease receivables are in respect of 40 years leases of land to Hui Bang International Investment Group Co., Ltd. and Mekong Oriza Trading Co., Ltd.

6. INVESTMENT PROPERTIES

	Unaudited 31 March 2022 US\$	Audited 31 December 2021 US\$
<i>Cost</i>		
Balance at the beginning/end of financial period/year	<u>85,186,015</u>	<u>85,186,015</u>
<i>Accumulated depreciation</i>		
Balance at the beginning of financial period/year	559,152	499,015
Depreciation for financial period/year	<u>12,827</u>	<u>60,137</u>
Balance at the end of financial period/year	<u>571,979</u>	<u>559,152</u>
Carrying amounts		
Balance at the end of financial period/year	<u>84,614,036</u>	<u>84,626,863</u>
<i>(KHR '000 equivalent)</i>	<u>342,686,846</u>	<u>344,769,840</u>

7. TRADE AND OTHER RECEIVABLES

	Unaudited 31 March 2022		Audited 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Non-current				
Other receivable				
Deposit	70,289	284,670	67,585	275,341
Current				
Trade receivables				
Third parties	7,456,505	30,198,845	4,418,182	17,999,673
Less: Impairment loss - Third parties	(1,164,864)	(4,717,699)	(790,673)	(3,221,201)
	6,291,641	25,481,146	3,627,509	14,778,472
Other receivables				
Third parties	80,847	327,430	447,544	1,823,294
Advances	70,456	285,347	76,141	310,198
Deposits	102,307	414,343	7,307	29,769
Other receivables	470,002	1,903,508	422,989	1,723,258
	723,612	2,930,628	953,981	3,886,519
Total receivables	7,015,253	28,411,774	4,581,490	18,664,991
Prepayments	875,935	3,547,537	553,031	2,253,048
	7,891,188	31,959,311	5,134,521	20,918,039

8. DEFERRED TAX

The components and movements of deferred tax assets/(liabilities) are as follows:

	At 1 January 2022 US\$	Recognised in profit or loss US\$	At 31 March 2022 US\$ (unaudited)
Property, plant and equipment	(2,823,842)	(95,582)	(2,919,424)
Retirement benefit obligation	91,168	2,034	93,202
Deferred income	2,730,000	(15,000)	2,715,000
Impairment loss on receivables	158,135	74,838	232,973
Unrealised exchange differences	(15,085)	(11,281)	(26,366)
	140,376	(44,991)	95,385
<i>(KHR'000 equivalent)</i>			386,309

8. DEFERRED TAX

	At 1 January 2021 US\$	Recognised in profit or loss US\$	At 31 December 2021 US\$ (audited)
Property, plant, and equipment	(2,702,959)	(120,883)	(2,823,842)
Retirement benefit obligation	108,359	(17,191)	91,168
Deferred income	2,850,000	(120,000)	2,730,000
Impairment loss on receivables	174,420	(16,285)	158,135
Unrealised exchange differences	10,171	(25,256)	(15,085)
	<u>439,991</u>	<u>(299,615)</u>	<u>140,376</u>
			<u><u>571,892</u></u>

(KHR'000 equivalent)

9. CASH AND BANK BALANCES

	Unaudited 31 March 2022		Audited 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	2,698	10,927	2,151	8,763
Cash at banks	3,344,666	13,545,897	5,607,444	22,844,727
Deposits	<u>12,006,275</u>	<u>48,625,414</u>	<u>13,005,105</u>	<u>52,982,798</u>
As stated in statement of financial position	15,353,639	62,182,238	18,614,700	75,836,288
Less:				
Deposits (maturity more than three months)	<u>(11,000,000)</u>	<u>(44,550,000)</u>	<u>(12,000,000)</u>	<u>(48,888,000)</u>
As stated in statement of cash flows	<u><u>4,353,639</u></u>	<u><u>17,632,238</u></u>	<u><u>6,614,700</u></u>	<u><u>26,948,288</u></u>

10. SHARE CAPITAL

	Unaudited 31 March 2022		Audited 31 December 2021	
	Number	US\$	Number	US\$
Voting shares of US\$1 each:				
Class A	4,136,873	4,136,873	4,136,873	4,136,873
Class B	<u>16,547,492</u>	<u>16,547,492</u>	<u>16,547,492</u>	<u>16,547,492</u>
	<u>20,684,365</u>	<u>20,684,365</u>	<u>20,684,365</u>	<u>20,684,365</u>
Non-voting shares of US\$1 each:				
Class C	<u>93,769,120</u>	<u>93,769,120</u>	<u>93,769,120</u>	<u>93,769,120</u>
	<u><u>114,453,485</u></u>	<u><u>114,453,485</u></u>	<u><u>114,453,485</u></u>	<u><u>114,453,485</u></u>
		<u><u>457,813,940</u></u>		<u><u>457,813,940</u></u>

(KHR'000 equivalent)

Class A shareholders will enjoy the minimum guaranteed dividend yield of 5% per year based on the Initial Public Offering (“IPO”) price for the period of at least 5 years, starting from 2016 to 2020. The present value of these guaranteed dividends amounting to US\$936,145 is expected to be paid over five years.

Class C shareholders are not entitled to dividend but have first priority in case of PPAP’s liquidation.

11. SHARE PREMIUM

On 9 December 2015, PPAP was successfully listed on the Cambodia Securities Exchange (“CSX”). The total number of ordinary shares (voting) is 20,684,365 shares, of which 4,136,873 (Class A) shares was from the IPO with a par value of KHR4,000 per share. After the listing, MoEF holds 80% of the total number of shares. PPAP received the proceeds from the IPO amounting to US\$5,193,915 and incurred IPO costs of US\$901,540.

The share premium mainly represents the excess amount received by PPAP over the par value of its shares pursuant to the issuance of shares, net of transaction costs directly distributable to the issuance.

12. RESERVES

	Legal reserve US\$	General reserve US\$	Development fund US\$	Total US\$
As at 1 January 2022	2,539,054	2,539,054	40,783,272	45,861,380
Transfer from retained earnings	<u>635,392</u>	<u>635,392</u>	<u>10,334,533</u>	<u>11,605,317</u>
As at 31 March 2022 (unaudited)	<u>3,174,446</u>	<u>3,174,446</u>	<u>51,117,805</u>	<u>57,466,697</u>
<i>(KHR'000 equivalent)</i>	<u>12,856,506</u>	<u>12,856,506</u>	<u>207,027,111</u>	<u>232,740,123</u>
As at 1 January 2021	2,046,010	2,046,010	32,447,586	36,539,606
Transfer from retained earnings	<u>493,044</u>	<u>493,044</u>	<u>8,335,686</u>	<u>9,321,774</u>
As at 31 December 2021 (audited)	<u>2,539,054</u>	<u>2,539,054</u>	<u>40,783,272</u>	<u>45,861,380</u>
<i>(KHR'000 equivalent)</i>	<u>10,344,106</u>	<u>10,344,106</u>	<u>166,151,050</u>	<u>186,839,262</u>

On 23 March 2022, the Board of Directors approved the transfer of retained earnings to reserves amounting to US\$11,605,317.

In accordance with PPAP’s Articles of Incorporation, article 66, dated 5 September 2016, PPAP’s profit, after offsetting with losses carried forward (if any), can be used as follows:

- for legal reserve – 5%
- for general reserve – 5%
- the remaining balance for dividend and development fund

13. TRADE AND OTHER PAYABLES

	Unaudited 31 March 2022		Audited 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Non-current Other payable				
Deposit	<u>35,145</u>	<u>142,337</u>	<u>33,793</u>	<u>137,673</u>

13. TRADE AND OTHER PAYABLES (continued)

	Unaudited 31 March 2022		Audited 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Current				
Trade payables				
Third parties	631,729	2,558,502	487,291	1,985,224
Other payables				
Interest payable	85,214	345,117	305,896	1,246,220
Deposits	232,376	941,123	236,442	963,265
Dividend payable	1,081,480	4,379,994	-	-
Other tax payables	157,384	637,405	248,403	1,011,994
Other payables	1,401,403	5,675,682	1,115,875	4,546,075
	<u>2,957,857</u>	<u>11,979,321</u>	<u>1,906,616</u>	<u>7,767,554</u>
	<u>3,589,586</u>	<u>14,537,823</u>	<u>2,393,907</u>	<u>9,752,778</u>

14. BORROWINGS

	Unaudited 31 March 2022		Audited 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Non-current				
Phnom Penh Port – New Container Terminal Project (“PPPNCTP”) or Phnom Penh Port LM17	17,594,780	71,258,859	18,629,767	75,897,671
Current				
PPPNCTP or Phnom Penh Port LM17	2,069,974	8,383,395	2,069,974	8,433,074
	<u>19,664,754</u>	<u>79,642,254</u>	<u>20,699,741</u>	<u>84,330,745</u>

PPPNCTP represents an on-lending agreement between the MEF and PPAP for the lending of proceeds of the Import-Export Bank of China (“the Eximbank”) under the Preferential Buyer Credit Loan Agreement: No. (2010)29(136) dated 4 November 2010 for the Phnom Penh Port-New Container Terminal Project (“Project”).

The amount to be re-lent to PPAP shall be deemed to be simultaneously lent to PPAP on the same dates, in the same currency and the same amount as those disbursed by the Eximbank for the purposes of financing the implementation of the Project. PPAP pays interest to the MEF semi-annually at the rate of 4% per annum. The loan on-lent is for 20 years, including a grace period of not exceeding 7 years from the date of the conclusion of the Loan Agreement.

15. PROVISION FOR RETIREMENT BENEFITS

The amounts recognised in the statement of financial position are as follows:

	Unaudited 31 March 2022		Audited 31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Defined benefits obligation				
Present value of defined benefits obligation	466,009	1,887,336	455,842	1,857,100
Other benefits				
National Social Security Funds	106,580	431,649	99,987	407,347
Liability recognised in statement of financial position	<u>572,589</u>	<u>2,318,985</u>	<u>555,829</u>	<u>2,264,447</u>

15. PROVISION FOR RETIREMENT BENEFITS (continued)

The movements in the defined benefits obligations during the period are as follows:

	Unaudited 31 March 2022 US\$	Audited 31 December 2021 US\$
Balance at 1 January	455,842	541,795
Current service costs	8,888	44,731
Interest costs	6,726	32,043
Past service costs	-	(23,204)
Benefits paid	(5,447)	(22,558)
Re-measurement	-	(116,965)
	<u>466,009</u>	<u>455,842</u>
<i>(KHR '000 equivalent)</i>	<u>1,887,336</u>	<u>1,857,100</u>

The movements in the other benefits during the period are as follows:

	Unaudited 31 March 2022 US\$	Audited 31 December 2021 US\$
Balance at 1 January	99,987	74,627
Additional expenses	6,593	25,360
	<u>106,580</u>	<u>99,987</u>
<i>(KHR '000 equivalent)</i>	<u>431,649</u>	<u>407,347</u>

The amounts recognised within salaries, wages, and related expenses in the statement of profit or loss and other comprehensive income are as follows:

	Unaudited			
	Three-month period ended			
	31 March 2022		31 March 2021	
	US\$	KHR'000	US\$	KHR'000
Defined benefit obligation				
Current service costs	8,888	36,112	9,597	38,954
Interest costs	6,726	27,328	9,597	38,954
Other benefits				
Additional expenses	6,593	26,787	6,406	26,002
	<u>22,207</u>	<u>90,227</u>	<u>25,600</u>	<u>103,910</u>

16. CONTRACT LIABILITIES

	Unaudited		Audited	
	31 March 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Non-current				
Deferred income	13,575,000	54,978,750	13,650,000	55,610,100
Current				
Deferred income	300,000	1,215,000	300,000	1,222,200

17. CAPITAL COMMITMENTS

	Unaudited		Audited	
	31 March 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Capital expenditure in respect of purchase of property, plant and equipment:				
Contracted but not provided	2,351,213	9,522,413	1,031,111	4,200,746

18. REVENUE

	Unaudited			
	Three-month period ended			
	31 March 2022		31 March 2021	
	US\$	KHR'000	US\$	KHR'000
Stevedoring	3,882,123	15,773,066	3,157,066	12,814,531
Lift On Lift Off (“LOLO”)	3,098,863	12,590,680	2,594,712	10,531,936
Port dues and charges	1,003,096	4,075,579	884,886	3,591,752
Gate fees	263,346	1,069,975	188,481	765,044
Storage fees	350,168	1,422,733	149,444	606,593
Weighting fee	5,407	21,969	2,120	8,605
Stuffing/Unstuffing	8,900	36,161	15,150	61,494
Sand dredging management fee	2,652	10,775	-	-
Trucking fee	272,890	1,108,752	95,823	388,946
Logistics services	45,735	185,821	77,550	314,775
	8,933,180	36,295,511	7,165,232	29,083,676

19. COST OF SERVICES

	Unaudited			
	Three-month period ended			
	31 March 2022		31 March 2021	
	US\$	KHR'000	US\$	KHR'000
Crane charges	767,385	3,117,885	536,578	2,177,970
Depreciation	770,375	3,130,034	597,420	2,424,928
Fuel and gasoline	396,074	1,609,249	228,360	926,913
Salaries and wages	498,021	2,023,459	414,204	1,681,254
Maintenance costs	329,574	1,339,059	361,712	1,468,189
Logistic costs	48,860	198,518	66,560	270,167
Others	75,029	304,843	39,890	161,914
	2,885,318	11,723,047	2,244,724	9,111,335

20. OTHER INCOME

	Unaudited			
	Three-month period ended			
	31 March 2022		31 March 2021	
	US\$	KHR'000	US\$	KHR'000
Rental income	230,238	935,457	228,141	926,024
Interest income from:				
- deposits with financial institutions	217,864	885,181	290,716	1,180,016
- lease receivables	43,093	175,087	43,227	175,458
Unwinding effect of long-term deposit	2,704	10,986	2,599	10,549
Reversal of impairment loss on receivables	-	-	344,700	1,399,137
Others	71,167	289,152	43,427	176,270
	<u>565,066</u>	<u>2,295,863</u>	<u>952,810</u>	<u>3,867,454</u>

21. GENERAL AND ADMINISTRATIVE EXPENSES

	Unaudited			
	Three-month period ended			
	31 March 2022		31 March 2021	
	US\$	KHR'000	US\$	KHR'000
Salaries and other benefits	1,029,617	4,183,334	965,903	3,920,602
Utilities and fuel	169,555	688,902	119,421	484,730
Depreciation	180,977	735,310	176,180	715,115
Board of Directors' fees	62,065	252,170	62,084	251,999
Donation	84,709	344,173	38,657	156,909
Office supplies	74,390	302,247	37,221	151,080
Business entertainment	52,972	215,225	28,658	116,323
Repair and maintenance	31,822	129,293	23,603	95,805
Communication expenses	16,172	65,707	15,026	60,991
Professional fees	8,897	36,149	7,494	30,418
Travelling expenses	6,542	26,580	14,418	58,523
Other tax expenses	18,795	76,364	176,590	716,779
Impairment loss on receivables	374,191	1,520,338	-	-
Other expenses	29,758	120,907	13,239	53,737
	<u>2,140,462</u>	<u>8,696,699</u>	<u>1,678,494</u>	<u>6,813,011</u>

22. FINANCE COSTS

	Unaudited			
	Three-month period ended			
	31 March 2022		31 March 2021	
	US\$	KHR'000	US\$	KHR'000
Interest expense on:				
- borrowings	193,313	785,431	213,092	864,941
- lease liabilities	67,309	273,476	66,559	270,162
Unwinding effect of:				
- long term deposit	1,352	5,493	1,300	5,277
	<u>261,974</u>	<u>1,064,400</u>	<u>280,951</u>	<u>1,140,380</u>

23. TAX EXPENSE

	Unaudited			
	Three-month period ended			
	31 March 2022		31 March 2021	
	US\$	KHR'000	US\$	KHR'000
Income tax expense:				
Current year	814,905	3,310,959	648,293	2,631,421
(Over)/Under provision in prior year	(10,682)	(43,401)	30,155	122,399
	<u>804,223</u>	<u>3,267,558</u>	<u>678,448</u>	<u>2,753,820</u>
Deferred tax:				
Origination and reversal of temporary differences	44,991	182,798	(206,416)	(837,842)
	<u>849,214</u>	<u>3,450,356</u>	<u>472,032</u>	<u>1,915,978</u>

Under the Cambodian Law on Taxation, PPAP has an obligation to pay tax on profit at 20% (2021:20%) of the taxable profit or a minimum tax at 1% (2021: 1%) of total revenue, whichever is higher.

24. EARNINGS PER SHARE

	Unaudited			
	Three-month period ended			
	31 March 2022		31 March 2021	
	US\$	KHR'000	US\$	KHR'000
Profit attributable to ordinary equity holders	3,361,278	13,656,872	3,441,431	13,968,763
Weighted average number of ordinary shares in issue	<u>20,684,365</u>	<u>20,684,365</u>	<u>20,684,365</u>	<u>20,684,365</u>
Basic earnings per share	0.16	0.66	0.17	0.68
Diluted earnings per share	<u>0.16</u>	<u>0.66</u>	<u>0.17</u>	<u>0.68</u>

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

PPAP had no dilutive potential ordinary shares as at the period end. As such, the diluted earnings per share were equivalent to the basic earnings per share.

25. DIVIDENDS

On 23 March 2022, the Board of Directors of PPAP resolved to distribute the dividends in respect to the financial year ended 31 December 2021 to shareholders of each class of shares as follows:

- Shareholders in Class A is entitled to total dividend of US\$340,190 (equivalent to KHR1,376,751,334).
- Shareholders in Class B is entitled to total dividend of US\$741,290 (equivalent to KHR3,000,000,000).

The dividend distribution was approved by the shareholders of PPAP during the Annual General Shareholder Meeting held on 10 May 2022 and the dividend will be paid on 2 June 2022.

26. RELATED PARTY DISCLOSURES

- (a) PPAP had the following transactions with related parties during the financial period.

	Unaudited			
	Three-month period ended			
	31 March 2022		31 March 2021	
	US\$	KHR'000	US\$	KHR'000
<u>Related parties</u>				
MEF				
Interest expense	193,313	785,431	213,092	864,942
MEF and MPWT				
Donation and charities	14,276	58,003	1,231	4,996

- (b) Compensation of key management personnel

Key management compensation during the financial period is as follows:

	Unaudited			
	Three-month period ended			
	31 March 2022		31 December 2021	
	US\$	KHR'000	US\$	KHR'000
Short term employee benefits	62,065	252,170	62,084	252,001

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of PPAP is to optimise value creation for its shareholders whilst minimising the potential adverse impact arising from volatility of the financial markets.

The Directors are responsible for setting the objectives and underlying principles of financial risk management for PPAP. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits in accordance with the objectives and underlying principles approved by the Directors.

- (a) Credit risk

Credit risk is the risk of financial loss to PPAP if a counter party to a financial instrument fails to perform as contracted. It is PPAP's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that PPAP is exposed to minimal credit risk.

PPAP's primary exposure to credit risk arises through its receivables. The credit period for trade receivables is one to three months (2021: one to three months) and PPAP seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management.

- (b) Liquidity and cash flow risk

Liquidity and cash flow risk arises from PPAP's management of working capital. It is the risk that PPAP will encounter difficulty in meeting its financial obligations when due.

PPAP actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, PPAP maintains a level of cash and cash equivalents deemed adequate to finance PPAP's activities.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of PPAP would fluctuate because of changes in market interest rates.

The exposure of PPAP to interest rate risk arises primarily from loans and borrowings. PPAP manages its interest rate exposure by closely monitoring the debt market and where necessary, maintaining a prudent mix of fixed and floating rate borrowings. PPAP does not use derivative financial instruments to hedge any debt obligations.

28. TAXATION CONTINGENCIES

Law on taxation in Cambodia including Sub Decree, Prakas, Circular and Notification is frequently changing based on the amendment of tax authorities and subject to interpretation. Often, differing interpretations on law of taxation exist among relevant parties and this could result in higher tax risks. Taxes are subject to review and investigation by a number of authorities who are enabled by law to impose severe fines, penalties and interest charges. Management believes that it has adequately provided tax liabilities based on its interpretation of tax legislation.

29. SEASONALITY OR CYCLICALITY OF OPERATIONS

The demand for PPAP services is subject to seasonal fluctuation as a result of the high demand for mainly garment, commodity, rice, textile raw materials and construction materials. Historically, peak demand is in the third quarter of the year and attributed to the high volume of export to America and import from China.