


STATUS OF THE ENGLISH VERSION OF THIS DISCLOSURE DOCUMENT

The English version of this Disclosure Document is entirely for the convenience of the public investors who are unable to read Khmer. The prospective investor should use the Khmer version as material for making decision and the English version is served as a reference purpose only. The Khmer version of this Disclosure Document is the official version of the Disclosure Document that is approved and registered with Securities and Exchange Commission of Cambodia.



Disclosure Document for Public Issuance of Equity Securities (Public Offering)



TONGYANG Securities (Cambodia) Plc

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List of Changes

| Part | Before | After |
|--|---|--|
| Global change | Offering price: KHR 4,050 – 6,350 | Offering price: KHR 6,300 |
| Global change | Offering amounts: KHR 52,836,198,750 – 82,841,941,250 | Offering amounts: KHR 82,189,642,500 |
| Global change | [●] | (Deleted) |
| Global change | [Expected] | (Deleted) |
| Page 1. Disclaimer on Red Herring Disclosure Document | (Please see the Disclosure Document) | (Deleted) |
| Page 1. STATUS OF THE ENGLISH VERSION OF THIS DISCLOSURE DOCUMENT | The Khmer version of this Disclosure Document is the official version of the Disclosure Document that is approved and registered <u>in principle</u> with Securities and Exchange Commission of Cambodia. | The Khmer version of this Disclosure Document is the official version of the Disclosure Document that is approved and registered with Securities and Exchange Commission of Cambodia. |
| Page 3. Stock code | (None) | A000010 |
| Page 3. | This Disclosure Document (the so-called “Draft Red Herring Disclosure Document” as defined in the inner cover of this Disclosure Document) has been prepared for the purpose of obtaining an Approval in Principle from the Securities and Exchange Commission of Cambodia (the “SECC”) and is intended solely for use and distribution during the Book Building Process as contemplated by the Underwriter hereof. This Disclosure Document, as it currently stands, does not contain the full particulars of the final terms of the public offering such as the Offering Price which is expected to be determined by agreement between PPWSA and the Underwriter at the Price Determination Date which will be on or around [●] 16 March, 2012 or such later time as may be agreed by PPWSA and the Underwriter. PPWSA, with the prior consent of the Underwriter, may change certain parts of the Disclosure Document at any time prior to the registration with the SECC. In such a case, a notice of adjustment will be announced on the SECC’s website, http://www.secc.gov.kh/ , not later than the morning 1 day before the registration. | (Deleted) |
| 10p. Note to Investors | The Securities and Exchange Commission of Cambodia (SECC) has approved our Public Offering <u>in principle</u> and a final copy of the Khmer version of this Disclosure Document <u>will be</u> registered and filed with the SECC. | The Securities and Exchange Commission of Cambodia (SECC) has approved our Public Offering and a final copy of the Khmer version of this Disclosure Document <u>has been</u> registered and filed with the SECC. |
| 10p. Note to Investors | <u>d</u> isclosure <u>d</u> ocument | <u>D</u> isclosure <u>D</u> ocument |

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| 11p. Tentative Timetable for the Offering | The <u>opening date of</u> subscription remains open until 5 p.m. on 04 April 2012. | The subscription remains open until 5 p.m. on 04 April 2012. |
| 14p. II. Subscription Stage of Equity Securities, Summary of the Guideline on Book Building and Subscription of Equity Securities | 20. In case that there is any equity securities remaining after the subscription process as prescribed in this Guideline, the Company's designated underwriter(s) shall subscribe to all such securities | 20. In case that there is any equity securities remaining after the subscription process as prescribed in this Guideline, the Company's designated underwriter(s) shall subscribe to all such securities <u>including the fractional number of unsubscribed equity securities remaining after the allotment process that has been agreed to by the Company and its designated underwriter(s) in accordance with this Guideline</u> |
| 18p. Definitions | (None) | <ul style="list-style-type: none"> • Enterprise Value: A measure of a company's value, often used as an alternative to straightforward market capitalization. Enterprise value is calculated as market cap plus debt, minority interest and preferred shares, minus total cash and cash equivalents. |
| 19p. Definitions | (None) | <ul style="list-style-type: none"> • Net Worth: The amount by which assets exceed liabilities. This term can be applied to companies and individuals. |
| 24p. General, Disclaimer | ...this Disclosure Document has been approved <u>in principle</u> from, and <u>will be</u> registered with, the SECC... | ...this Disclosure Document has been approved from and registered with the SECC... |
| 26p. FORWARD-LOOKING STATEMENTS, Disclaimer | Save as required by Cambodian Law, PPWSA undertakes no obligation to... | Save as required by Cambodian Law, PPWSA and <u>the Underwriter</u> undertakes no obligation to... |
| 26p. DISCLAIMER IN RELATION TO REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE DOCUMENT, Disclaimer | No person has been given the authorization to give any information or to make any representation, except <u>that</u> contained in this Disclosure Document. | No person has been given the authorization to give any information or to make any representation, except <u>as expressly</u> contained in this Disclosure Document. |
| 26p. PROSPECTIVE INVESTORS IN JURISDICTIONS OUTSIDE CAMBODIA, Disclaimer | <u>offer</u> <u>shares</u> | <u>Offer</u> <u>Shares</u> |
| 26p. STATUS OF THE ENGLISH VERSION OF THIS DISCLOSURE DOCUMENT, Disclaimer | The Khmer version of this Disclosure Document is the official version of the Disclosure Document that is approved and registered <u>in principle</u> with <u>Securities and Exchange Commission of Cambodia</u> . | The Khmer version of this Disclosure Document is the official version of the Disclosure Document that is approved and registered with SECC. |

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| 27p. DISTRIBUTION, Disclaimer | The aforementioned investors and viewers are further reminded that none of PPWSA or the Underwriter or any of their respective directors, officers, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any real or potential discrepancies between <u>the Disclosure Document received or viewed by such investors and viewers in an electronic format and the hard copy version of the Disclosure Document.</u> | The aforementioned investors and viewers are further reminded that none of PPWSA or the underwriter or any of their respective directors, officers, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any real or potential discrepancies between <u>the hard copy of the Disclosure Document that has been printed with the proper authority from PPWSA and any electronic copy of the Disclosure Document that has not been obtained directly from the authorized websites prescribed herein.</u> |
| 27p. TRANSLATION OF AMOUNTS INTO KHMER RIEL OR OTHER CURRENCIES, Disclaimer | In this Disclosure Document, references "\$," "U.S.\$," "USD" or "U.S. dollars" are to translations of certain amounts into <u>U.S. dollars</u> at specified rates solely | In this Disclosure Document, references "\$," "U.S.\$," "USD" or "U.S. dollars" are to translations of certain amounts into <u>United States Dollars</u> at specified rates solely |
| 27P. TRANSLATION OF AMOUNTS INTO KHMER RIEL OR OTHER CURRENCIES, Disclaimer | <u>d</u> isclosure <u>d</u> ocument | <u>D</u> isclosure <u>D</u> ocument |
| 27p. DISTRIBUTION, Disclaimer | ...(iv) at the discretion of PPWSA under proper authority, without informing or <u>altering</u> such investors or viewers in advance. | ...(iv) at the discretion of PPWSA under proper authority, without informing or <u>alerting</u> such investors or viewers in advance. |
| 27p. DISTRIBUTION, Disclaimer | The aforementioned investors and viewers are further reminded that <u>N</u> one of PPWSA or the <u>u</u> nderwriter... | The aforementioned investors and viewers are further reminded that <u>n</u> one of PPWSA or the <u>U</u> nderwriter... |
| 29p. Conventions | Unless stated otherwise, the financial data in this Disclosure Document are derived from the unqualified audited financial statements for the years ended 31 December 2008, 2009 and 2010 and the unaudited interim financial statements for the nine months ended 30 September 2011, prepared in accordance with the Cambodian Accounting standards and accordance with the Law on Corporate Accounts, Their Audit, and the Accounting Profession. <u>Provided, however, that the figures appearing in other Sections of the Disclosure Document that are generally considered irrelevant or unrelated to the financials of a company may not have been derived from the financial statements stipulated in the foregoing.</u> | Unless stated otherwise, <u>certain</u> financial data, <u>where appropriate and applicable</u> , in this Disclosure Document including, <u>in particular, those contained under Section 7</u> are derived from the unqualified audited financial statements for the years ended 31 December 2008, 2009 and 2010 and the unaudited interim financial statements for the nine months ended 30 September 2011, prepared in accordance with the Cambodian Accounting standards and accordance with the Law on Corporate Accounts, Their Audit, and the Accounting Profession. |
| 29p. Conventions, Disclaimer | PPWSA's fiscal year commences on <u>one</u> January and ends on 31 December of each year. | PPWSA's fiscal year commences on <u>1</u> January and ends on 31 December of each year. |
| 31p. 1- Company's Overview, SECTION 1 | Three major expenses represented <u>in excess of</u> 84% of PPWSA's operating expenses for the financial year ended 31 December 2010. | Three major expenses represented 84% of PPWSA's operating expenses for the financial year ended 31 December 2010. |

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| 35p. b- General Information on Offered Shares, 5- Significant factors related to public issuance of equity securities, SECTION 1 | In accordance with Prakas No. 001 of the SECC, at least 20% of the total offered shares <u>after deduction of ESOP</u> shall be allotted to Cambodian Investors, a natural person who has Cambodian nationality or a legal entity in which no less than 51% of its total share capital is owned by a person or persons having Cambodian nationality, unless otherwise approved by the SECC. | In accordance with <u>Article 37 of the Prakas No. 001 promulgated by the SECC</u> , at least 20% of the total offered shares need to be allotted to Cambodian Investors <u>in subscription</u> unless otherwise <u>instructed and approved</u> by the SECC. For the avoidance of doubt, a Cambodian Investor refers to a natural person having Cambodian nationality or a legal entity in which no less than 51% of its total share capital is owned by a person or persons having Cambodian nationality. |
| 37p. b- General Information on Offered Shares, 5- Significant factors related to public issuance of equity securities, SECTION 1 | Minimum Subscription: Not determined | Minimum Subscription: 100 shares (provided, however, that if the pre-calculated number of shares allocated to a certain Successful Investor is less than 100 shares, this minimum requirement shall not prevent such Successful Investor from subscribing the aforementioned pre-calculated number of shares) |
| 37p. 6- Use of proceeds, SECTION 1 | PPWSA expects that its net proceeds from the issuance will be approximately <u>KHR 47.2 billion based on the lower of price range</u> and intend to use the net proceeds of this offering to partly and/or... | PPWSA expects that its net proceeds from the issuance will be approximately <u>KHR 75.6 billion based on the offering price</u> and intends to use the net proceeds of this offering to partly and/or... |
| 39p. j- Risks related to rules and regulations, 7- Risk factors, SECTION 1 | There are <u>4</u> main risks related to rules and regulations: <ul style="list-style-type: none"> • ... • ... • ... • ... | There are <u>5</u> main risks related to rules and regulations: <ul style="list-style-type: none"> • ... • ... • ... • ... • Potential obligation to comply with the corporate disclosure requirements of the SECC |
| 42p. c- Underwriting agreement, 2- Information of the Underwriter, SECTION 2 | It is being summarized. | - Note 1 - |
| 47p. 8-a, 8-d, 8-e, 8- All expenses related to public issuance of equity securities, SECTION 2 | (None) | * Based on current exchange rate of KHR 4,001/USD |
| 47p. a- Underwriter fees, 8- All expenses related to public issuance of equity securities, SECTION 2 | PPWSA will pay at least the minimum fee of KHR 4,559,625,000. The exact fee will be determined when the term of offer is finalized. | PPWSA pays USD 1,227,114 (KHR 4,909,682,125). |

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| 47p. c- Listing fees, 8- All expenses related to public issuance of equity securities, SECTION 2 | KHR 52,836,199 for the initial listing fee | KHR 547,930,921 for the initial listing fee |
| 47p. d- Printing and advertising disclosure document fees, 8- All expenses related to public issuance of equity securities, SECTION 2 | KHR 18,475,000 | <ul style="list-style-type: none"> • Printing: KHR 155,046,240 • Advertisement: USD 5,000 (KHR 20,005,000) |
| 47p. e- Others, 8- All expenses related to public issuance of equity securities, SECTION 2 | <ul style="list-style-type: none"> • Depository fee: KHR 3,104,942 • Securities Registrar fee: KHR 10,585,712 • Legal advisory fee: KHR 181,192,932 • Audit and accounting advisory fee: KHR 590,035,740 • Asset valuation fee: KHR 133,749,000 | <ul style="list-style-type: none"> • Depository fee: <u>KHR 26,971,631</u> • Securities Registrar fee: KHR 10,585,712 • Legal advisory fee: <u>USD 44,706 (KHR 178,868,706)</u> * <u>Based on current exchange rate of KHR 4,001/USD</u> • Audit and accounting advisory fee: <u>USD 145,580 (KHR 582,465,580)</u> * <u>Based on current exchange rate of KHR 4,001/USD</u> • Asset valuation fee: KHR 133,749,000 |
| 52p. b-11- Allotment criteria, 9- Description of equity securities being offered, SECTION 2 | (None) | <p>In accordance with Article 37 of the Prakas No. 001 promulgated by the SECC, at least 20% of the total offered shares need to be allotted to Cambodian Investors in subscription unless otherwise instructed and approved by the SECC.</p> <p>In light of the foregoing and pursuant to the instructions from the SECC, 10% of the total offered shares for ESOP are not considered as an allotment to Cambodian Investors. Hence, out of 63% of the total offered shares reserved for Successful Investors, 20% of such shares are allotted to Cambodian Investors and then the other remaining 80% are allotted to both Cambodian Investors and Non-Cambodian Investors on a pro rata basis (please see 12- Allotment plan of equity securities, SECTION 2 of this Disclosure Document).</p> |
| 53p. b-12-2- Dividends Right, 9- Description of equity securities being offered, SECTION 2 | After the IPO, PPWSA will distribute the dividend to the holders of ordinary shares in accordance with the dividend policy under Section 1: 8-Divided policy. | After the IPO, PPWSA will distribute the dividend to the holders of ordinary shares in accordance with the dividend policy under Section 1: 8-Divided policy. <u>On the other hand, the holder of Class A Shares has no right of dividends.</u> |
| 58p. 10- Determination of offering price of equity securities, SECTION 2 | - Note 2 - | - Note 2 - |

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| 59p. a-Net assets per share (FY 2010), 11- Net assets per share, earnings per share, P/E ratio or price earnings multiple per share and dividend yield per share, SECTION 2 | Total <u>C</u> urrent <u>A</u> sset | Total <u>c</u> urrent <u>a</u> sset |
| 60p. 11-c P/E ratio or price earnings multiple per share, SECTION 2 | Price earnings multiple per share (1)/(2) (Time)*: 11.55 | Price earnings multiple per share (1)/(2) (Time)*: 17.96 |
| 61p. 12- Allotment plan of equity securities, SECTION 2 | - Note 3 - | - Note 3 - |
| 61p. 12-a- Details of Cambodian Investors, SECTION 2 | - Note 4 - | - Note 4 - |
| 61p. 12-b- Details of Non-Cambodian Investors, SECTION 2 | - Note 5 - | - Note 5 - |
| 61p. 13- Use of proceeds, SECTION 2 | Through the IPO of 13,045,975 ordinary shares with the <u>estimated market price</u> of <u>KHR 4,050</u> ,the lower of price range, PPWSA expects the net proceeds from the issuance to PPWSA will be approximately <u>KHR 47.2 billion</u> after deducting | Through the IPO of 13,045,975 ordinary shares with the <u>offering price</u> of <u>KHR 6,300</u> PPWSA expects the net proceeds from the issuance to PPWSA will be approximately <u>KHR 75.6 billion</u> after deducting |
| 62p. Table: Breakdown of Proceeds from Public Issuance, 13- Use of proceeds, SECTION 2 | - Note 6 - | - Note 6 - |
| 63p. b-1-1- Investment background for Niroth WTP Stage I, 14- Investment projects, SECTION 2 | Total of "Interest during construction" in the table: (None) | Total of "Interest during construction" in the table: 93,819 |
| 77p. a- Analysis, 5.2- Risk related to providing loan to other institutions, 5- Non-operational risks, SECTION 3 | As at 31 December 2010, there were <u>no</u> outstanding loans to the EDC. | As at 31 December 2010, there were <u>zero</u> outstanding loans to the EDC. |

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| 85p. 10.5- The SECC is intending to promulgate a Prakas on Corporate Disclosure and once listed PPWSA may have to comply with a number of disclosure obligations, SECTION 3 | (None) | - Note 7 - |
| 90p. a-1-1- Establishment, SECTION 4 | <ul style="list-style-type: none"> • Potable Water Treatment Plant - ... - ... - <u>In 1966</u>, PICCHABAL established a new potable WTP at Phum Prek with a treatment capacity of 100,000 m³/day | <ul style="list-style-type: none"> • Potable Water Treatment Plant - ... - ... - <u>In 1963</u>, PICCHABAL established a new potable WTP at Phum Prek with a treatment capacity of 100,000 m³/day |
| 90p. a-1-1- Establishment, SECTION 4 | <ul style="list-style-type: none"> • Reparation and Expansion of Transmission and Water-Distribution Networks - In 1957, DEGREMONT installed a distribution pipeline network of 36 km; - In 1959, KUBOTA installed a distribution pipeline network of 32 km; - From 1960 to 1970, PPWSA installed a distribution pipeline network of 165 km; and | <ul style="list-style-type: none"> • Reparation and Expansion of Transmission and Water-Distribution Networks - In 1957, DEGREMONT installed a distribution pipeline network of 36 km; - In 1959, KUBOTA installed a distribution pipeline network of 32 km; - From 1960 to 1970, PPWSA installed a distribution pipeline network of 165 km; - <u>The length of distribution of 55 km was installed but there is no supporting document; and</u> |
| 122p. c-1-6- Invoice and Bill Collection, SECTION 4 | % of Revenue from water sales of year 2008: 87.9% | % of Revenue from water sales of year 2008: 87.8% |
| 149p. 3-a, 3-b, 3-c and 3-d, 3- Remuneration or compensation of directors and senior officers, SECTION 5 | - Note 8 - | - Note 8 - |
| 156p, 157p, 159p, Below each table in 2- Historical Financial Information and 3- Capitalization and Indebtedness, SECTION 7 | (None) | * Source: Audited financial statements for the years ended 31 December 2008, 2009 and 2010 and the reviewed (unaudited) interim financial information for the nine-month period ended 30 September 2011. |
| 158p. Below each table in a- Capitalization, 3- Capitalization and Indebtedness, SECTION 7 | (None) | * Source: Reviewed (unaudited) interim financial information for the nine-month period ended 30 September 2011. |

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| 160p, 162p b- Indebtedness, 3- Capitalization and Indebtedness, SECTION 7 | 30 September 2011 KHR'000 | 30 September 2011 KHR'000 (Unaudited and unreviewed) |
| | Below the table: (None) | * Source: Audited financial statements for the years ended 31 December 2008, 2009 and 2010. |
| 164p. a-1- Revenue analysis 4- Management's Discussion and Analysis, SECTION 7 | Total revenue for 2008: KHR 92,854 million | Total revenue for 2008: KHR 92,855 million |
| 165p. a-2- Revenue analysis by segment , 4- Management's Discussion and Analysis, SECTION 7 | (None) | * Source: Audited financial statements for the years ended 31 December 2008, 2009 and 2010 and the reviewed (unaudited) interim financial information for the nine-month period ended 30 September 2011. |
| 165p. Nine-month period ended 30 September 2011 compared to the nine-month period ended 30 September 2010, a-1- Revenue analysis 4- Management's Discussion and Analysis, SECTION 7 | Nine-month period ended September 2011 Nine-month period ended September 2010 | Nine-month period ended September 2011 (Unaudited) Nine-month period ended September 2010 (Unaudited and unreviewed) |
| 168p. Nine-month period ended 30 September 2011 compared to the nine-month period ended 30 September 2010, a-2- Revenue analysis by segment 4- Management's Discussion and Analysis, SECTION 7 | Nine-month period ended September 2011 Nine-month period ended September 2010 | Nine-month period ended September 2011 (Unaudited) Nine-month period ended September 2010 (Unaudited and unreviewed) |
| 171p. Nine-month period ended 30 September 2011 compared to the nine-month period ended 30 September 2010, a-4- Profit before tax, 4- Management's Discussion and Analysis, SECTION 7 | Nine-month period ended September 2011 Nine-month period ended September 2010 | Nine-month period ended September 2011 (Unaudited) Nine-month period ended September 2010 (Unaudited and unreviewed) |

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| 171p. a-4- Profit before tax, 4- Management's Discussion and Analysis, SECTION 7 | The increase in revenues was partially offset by the reduction in net foreign exchange gain of 2,505 million or 93.84% which... | The increase in revenues was partially offset by the reduction in net foreign exchange gain of <u>KHR</u> 2,505 million or 93.84% which... |
| 172p. Nine-month period ended 30 September 2011 compared to the nine-month period ended 30 September 2010, a-5- Profit after tax, 4- Management's Discussion and Analysis, SECTION | 3Q 2011 3Q 2010 | 3Q 2011 (Unaudited) 3Q 2010 (Unaudited and unreviewed) |
| 178p. a- Working Capital, 5- Liquidity and Capital Resources, SECTION 7 | Current liability: KHR 27,016 million | Current liability: KHR 27,017 million |
| 198-200pp. Page correction | The accompanying notes on <u>pages 199 to 248</u> form an integral part of these financial statements. | The accompanying notes on <u>pages 201 to 250</u> form an integral part of these financial statements. |
| 258p. SECTION 12: SUBSCRIPTION FORM | Please refer to the Disclosure Document | Please refer to the Disclosure Document |
| 268-272pp. Page correction | The accompanying notes on <u>pages 271 to 278</u> are an integral part of this interim financial information. | The accompanying notes on <u>pages 273 to 280</u> are an integral part of this interim financial information |

(Note 1)

Summary of the Firm Commitment Underwriting Agreement

The Preliminary Firm Commitment Underwriting Agreement was entered into on 28 February 2012 and subsequently, the Amendment to the Firm Commitment Underwriting Agreement was entered into on 19 March 2012 (collectively, hereinafter referred to as the "Underwriting Agreement").

The following is a brief summary of the Underwriting Agreement and does not fully convey all of the material contents contained in the same. Unless otherwise stated, capitalized terms used in the summary below shall have the same meaning as those used in the full version of the Underwriting Agreement.

I. Underwriting

Subject to the SECC and CSX granting the listing of, and permission to deal in, the Shares in issue, and subject to the fulfillment of the conditions stipulated in the Underwriting Agreement and any subsequent supplements and amendments thereto, and in reliance on the covenants, representations and warranties provided to it by PPWSA, the Underwriter has agreed to subscribe to or procure subscribers for the Shares which are not taken up by the Investor Group (as set out below) by the date on which the Subscription Period ends.

| <u>Investor Group</u> | <u>Allotted Amount</u> | <u>Allotment Ratio</u> |
|----------------------------|------------------------|------------------------|
| ESOP..... | 1,304,598 Shares | 10% |
| Successful Investors | 8,218,964 Shares | 63% |
| Other Investors | 3,522,413 Shares | 27% |
| Total..... | 13,045,975 Shares | 100% |

II. Grounds for Termination

The obligations of the Underwriter to subscribe to or procure subscribers for the Shares shall terminate at the discretion of the Underwriter, by sending a written notice of termination to PPWSA, if any of the following events occurs, in the opinion of the Underwriter, after the execution of the Underwriting Agreement and prior to the Closing Date:

- (1) if PPWSA breaches any term of the Underwriting Agreement which makes the offering of the Shares impossible or materially difficult;
- (2) if any change is made in Cambodia, or international financial, political or economic conditions or currency exchange rates or exchange controls as to make it in the judgment of the Underwriter, impracticable or inadvisable to proceed with the completion of the Public Offering or sale of and payment for the Shares;
- (3) if any material suspension or material limitation of trading in securities generally on the CSX is made, or any suspension of trading of any securities on any exchange or in the over-the-counter market is made;
- (4) if any banking moratorium is declared by a competent authority of Cambodia;
- (5) if any major disruption of settlements of securities or clearance services in or in relation to Cambodia occurs;
- (6) if any attack on, outbreak or escalation of hostilities or act of terrorism, any declaration of war or any other national or international calamity or emergency occurs and if any, in the judgment of the Underwriter, the effect of any such attack, outbreak, escalation, act, declaration, calamity or emergency makes it impractical or inadvisable to proceed with completion of the Public Offering or sale of and payment for the Shares occurs;
- (7) if a change in Cambodian taxation materially adversely affecting the PPWSA, the Shares or its transfers is made;
- (8) if a change occurs or is expected to occur that may now or in the foreseeable future adversely affect the PPWSA's profits, business activities or business prospects from a financial, business or legal perspective regardless of the fact whether it has occurred in the course of normal day to day operations of the PPWSA's business; or
- (9) if PPWSA refuses, breaches or fails to fulfill any of its material obligations, covenants, representations and warranties under the Underwriting Agreement and it is unlikely, in the reasonable opinion of the Underwriter, that such refusal, breach or failure be cured or remedied in full prior to the Closing Date.

(Note 2)

Before

Indicative offering price ranges from KHR [4,050 to KHR 6,350][●]. PPWSA and TYSC will determine the offering price based on the result of the book building and actual market situation after the completion of the book building. Offering price will be announced after approval from SECC and CSX on the term of offer.

The equity value of PPWSA and its offering price is based on relative valuation models by comparing PPWSA to 48 water supply companies listed worldwide whose Global Industry Classification Standard (“GICS”) code is 55104010, according to Bloomberg, or water suppliers.

There are certain limitations to making appropriate comparisons in the absence of any listed companies in the CSX. However, the Underwriter reasonably believes under the surrounding circumstances as of the date hereof, that relative valuation models using market multiples are more appropriate than absolute models which is likely to be less objective due to large extent of estimation on both cash flow and discount rate. Since PPWSA is to become the first listed company in Cambodia, material information to estimate the cost of equity such as market volatility, beta, benchmark return, and risk free rate is not available and, therefore, it will require many assumptions which may make valuation less reliable.

Investors who participate in Book Building can quote their offering price within the range stipulated in the foregoing. PPWSA and the Underwriter will determine the Offering Price based on the result of the Book Building as well as the market climate and seek an approval on the Offering Price from the SECC in due course. After receiving approval from SECC on the Terms of the Offering, PPWSA shall add the SECC-approved Terms of the Offering to the Disclosure Document and submit it to the SECC for registration.

After

PPWSA and TYSC have determined the offering price at KHR KHR 6,300 based on the result of the book building and actual market situation after the completion of the book building and the approval on the term of offer from SECC and CSX.

(Note 3)

Before

12- Allotment plan of equity securities

(Unit: shares, KHR)

| Type | Percentage (%) | Selling price per share* | Quantity | Amount* |
|---|----------------|--------------------------|------------|--------------------|
| Cambodian citizen investors | 20% | 4,050 [●] | 2,609,195 | 10,567,239,750 [●] |
| Cambodian citizen investors and non-Cambodian citizen investors | 80% | 4,050 [●] | 10,436,780 | 42,268,959,000 [●] |

* Based on the lower of price range

After

a- Details of Cambodian Investors

(Unit: shares, KHR)

| Type | Percentage (%) | Selling price per share* | Quantity | Amount* |
|---|----------------|--------------------------|-----------|----------------|
| Cambodian citizen investors | 18% | 6,300 | 2,348,275 | 14,794,132,500 |
| Cambodian citizen investors and non-Cambodian citizen investors | 72% | 6,300 | 9,393,102 | 59,176,542,600 |
| ESOP ** | 10% | 6,300 | 1,304,598 | 8,218,967,400 |

* Based on the offering price

* ESOP is not regarded as the Cambodian citizen investors

(Note 4)Before**a- Details of Cambodian Investors**

(Unit: shares, KHR)

| Investors' identification | Percentage (%) | Selling price per share* | Quantity | Amount* |
|---------------------------|----------------|--------------------------|-----------|-------------------|
| Employee | 10% | 4,050 [•] | 1,304,597 | 5,283,617,850 [•] |
| Individual | [•] | [•] | [•] | [•] |
| Institutional | [•] | [•] | [•] | [•] |

* Based on the lower of price range

After**b- Details of Cambodian Investors**

(Unit: shares, KHR)

| Investors' identification | Percentage (%) | Selling price per share* | Quantity | Amount* |
|---------------------------|----------------|--------------------------|-----------|---------------|
| Employee | 10% | 6,300 | 1,304,597 | 8,218,961,100 |
| Individual | [•] | 6,300 | 6,561,866 | [•] |
| Institutional | [•] | 6,300 | 1,656,833 | [•] |

* Based on the offering price

(Note 5)Before**b- Details of Non-Cambodian Investors**

(Unit: shares, KHR)

| Investors' identification | Percentage (%) | Selling price per share* | Quantity | Amount* |
|---------------------------|----------------|--------------------------|----------|---------|
| Employee | N/A | N/A | N/A | N/A |
| Individual | [•] | 4,050 [•] | [•] | [•] |
| Institutional | [•] | 4,050[•] | [•] | [•] |

* Based on the lower of price range

After**b- Details of Non-Cambodian Investors**

(Unit: shares, KHR)

| Investors' identification | Percentage (%) | Selling price per share* | Quantity | Amount* |
|---------------------------|----------------|--------------------------|----------|---------|
| Employee | N/A | N/A | N/A | N/A |
| Individual | [•] | 6,300 | [•] | [•] |
| Institutional | [•] | 6,300 | [•] | [•] |

* Based on the offering price

(Note 6)

Before

Breakdown of Proceeds from Public Issuance

At estimated Market Price= 4,050 KHR per Share

(Unit: KHR billion)

| No. | Estimated Net Proceeds | Amounts |
|-----|------------------------|---------|
| 1 | Gross Proceeds | [•] |
| 2 | Offer Expenses | [•] |
| 3 | Net Proceeds | [•] |

After

Breakdown of Proceeds from Public Issuance

At Offering Price= 6,300 KHR per Share

(Unit: KHR billion)

| No. | Estimated Net Proceeds | Amounts |
|-----|------------------------|---------|
| 1 | Gross Proceeds | 82.2 |
| 2 | Offer Expenses | 6.6 |
| 3 | Net Proceeds | 75.6 |

(Note 7)

10.5- Potential obligation to comply with the corporate disclosure requirements of the SECC

a- Analysis

The SECC is intending to promulgate a Prakas on Corporate Disclosure and according to the draft version of such Prakas as of the date of this Disclosure Document (the “Prakas on Disclosure”), there are a number of disclosure obligations on listed companies that have issued their securities to the public through the CSX. As such, PPWSA, once listed, needs to submit its Periodic Reports (as defined under Article 6 of the Prakas on Disclosure) and make Timely Disclosures, Special Disclosures and Requested Disclosures to the relevant authorities and pursuant to the applicable procedures set forth in the Prakas on Disclosure. By way of illustration, the periodic reporting requirements under the Prakas on Disclosure are likely to require PPWSA to submit an annual report, including the financial statements that have been audited by an external auditor, to the SECC within ninety (90) days after the end of every financial year, and semi-annual report and quarterly report respectively that have been reviewed by an external auditor within forty five (45) days after the end of every semi-annual and thirty (30) days after the end of every quarter, unless an alternative period is determined by the Director General of the SECC.

In relation to the disclosure requirement, Article 14 of the Prakas on the Implementation of Listing Rules stipulates that CSX shall officially delist securities of a listed company in following cases:

- Where a listed company fails to submit the annual report for the latest fiscal year within three (3) months after the submission deadline determined by the SECC;

- Where the auditor's opinion in the audit report of a listed company is adverse or disclaimed for two (2) years; or
- Where there is repetition of breaches of disclosure obligations.

In light of the foregoing, if PPWSA fails to satisfy the requirements set forth in the Prakas on Disclosure and the Prakas on the Implementation of Listing Rules without any proper waiver or exemption from the relevant authorities, its securities can be delisted after the IPO pursuant to the regulations stipulated under the aforementioned Prakas.

b- Management view and risk mitigation

PPWSA has closed its accounting for the fiscal year of 2011 and external auditor is conducting a year-end audit of PPWSA's financials as of the date of this Disclosure Document.

(Note 8)

Before

3- Remuneration or compensation of directors and senior officers

a- Name and position of the five employees who received the highest remuneration or compensation including the aggregate amount of their remuneration or compensation

(Unit: KHR'000)

| No. | Name | Position | Monthly Salary and Compensation | | | Aggregate Amount (Salary and Compensation excluding retirement benefit) | | |
|-----|----------------------|---|---------------------------------|-------|-------|---|--------|--------|
| | | | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 |
| 1 | H.E. Ek Sonn Chan | Director General | 6,719 | | 7,527 | 80,624 | | 90,327 |
| 2 | Mr. Long Naro | Deputy Director General | 6,406 | | | 76,870 | | |
| 3 | Mr. Sem Bun Heng | Deputy Director General | | | 7,613 | | | 91,353 |
| 4 | Mr. Chea Visoth | Assistant to Director General | 6,561 | 7,278 | | 78,730 | 87,336 | |
| 5 | Mr. Ros Kim Leang | Head of Accounting and Finance Dept. | 6,599 | 7,548 | 7,757 | 79,184 | 90,578 | 93,081 |
| 6 | Mr. Khuth Vuthiarith | Head of Production and Distribution Dept. | | 7,110 | | | 85,321 | |
| 7 | Mr. Samreth Sovithia | Head of Planning and Project | | 7,203 | 7,457 | | 86,432 | 89,479 |
| 8 | Mr. Sim Kheng Lin | Head of Commercial Dept. | 6,656 | 7,599 | 7,702 | 79,870 | 91,190 | 92,420 |

* **Note:** A table above indicates ONLY top-five compensations of each year

b- Aggregate amount of remuneration or compensation for non-executive directors

Among 7 BOD members of PPWSA, 5 are non-executive directors.

(Unit: KHR)

| No | Position | Aggregate Amount (Salary and Compensation excluding retirement benefits) | | |
|----|-----------------------------|--|---------|---------|
| | | 2008 | 2009 | 2010 |
| 1 | All non-executive directors | 306,287 | 369,446 | 363,359 |

c- Aggregate amount of remuneration or compensation for all directors and senior officers as a group

(Unit: KHR)

| No | Position | Aggregate Amount (Salary and Compensation excluding retirement benefits) | | |
|----|---------------------|---|---------|---------|
| | | 2008 | 2009 | 2010 |
| 1 | All Directors | 406,498 | 502,298 | 489,550 |
| 2 | All Senior Officers | 795,448 | 904,179 | 926,256 |

d- Aggregate amount of remuneration or compensation for all directors and senior officers for 01 future fiscal year

(Unit: KHR)

| No | Position | Aggregate Amount (Salary and Compensation excluding retirement benefit) | | Percentage Change (%) |
|----|---------------------|---|-----------|-----------------------|
| | | 2010 | 2011 | |
| 1 | All Directors | 489,550 | 514,914 | 5.18% |
| 2 | All Senior Officers | 926,256 | 1,010,288 | 9,07% |

After

3- Remuneration or compensation of directors and senior officers**a- Name and position of the five employees who received the highest remuneration or compensation including the aggregate amount of their remuneration or compensation**

(Unit: KHR'000)

| No. | Name | Position | Monthly Salary and Compensation | | | Aggregate Amount (Salary and Compensation excluding retirement benefit) | | |
|-----|-------------------|--------------------------------------|---------------------------------|-------|-------|---|--------|--------|
| | | | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 |
| 1 | H.E. Ek Sonn Chan | Director General | 6,591 | - | 7,400 | 79,093 | - | 88,806 |
| 2 | Mr. Long Naro | Deputy Director General | 6,593 | 7,661 | 7,709 | 79,118 | 91,929 | 92,504 |
| 3 | Mr.Sem Bun Heng | Deputy Director General | 6,565 | 7,567 | 7,679 | 78,780 | 90,806 | 92,153 |
| 4 | Mr. Chea Visoth | Assistant to Director General | 6,539 | 7,298 | - | 78,465 | 87,580 | - |
| 5 | Mr. Ros Kim Leang | Head of Accounting and Finance Dept. | 6,436 | - | - | 77,234 | - | - |

| | | | | | | | | |
|---|----------------------|---|---|-------|-------|---|--------|--------|
| 6 | Mr. Khuth Vuthiarith | Head of Production and Distribution Dept. | - | 7,131 | - | - | 85,571 | - |
| 7 | Mr. Samreth Sovithia | Head of Planning and Project | - | 7,226 | 7,464 | - | 86,706 | 89,572 |
| 8 | Mr. Sim Kheng Lin | Head of Commercial Dept. | - | - | 7,617 | - | - | 91,409 |

* **Note:** A table above indicates ONLY top-five compensations of each year

b- Aggregate amount of remuneration or compensation for non-executive directors

Among 7 BOD members of PPWSA, 5 are non-executive directors.

(Unit: KHR'000)

| No | Position | Aggregate Amount (Salary and Compensation excluding retirement benefits) | | |
|----|-----------------------------|--|---------|---------|
| | | 2008 | 2009 | 2010 |
| 1 | All non-executive directors | 290,143 | 346,068 | 385,808 |

c- Aggregate amount of remuneration or compensation for all directors and senior officers as a group

(Unit: KHR'000)

| No | Position | Aggregate Amount (Salary and Compensation excluding retirement benefits) | | |
|----|---------------------|---|---------|---------|
| | | 2008 | 2009 | 2010 |
| 1 | All Directors | 383,898 | 465,616 | 525,251 |
| 2 | All Senior Officers | 773,582 | 889,050 | 918,649 |

d- Aggregate amount of remuneration or compensation for all directors and senior officers for 01 future fiscal year

(Unit: KHR'000)

| No | Position | Aggregate Amount (Salary and Compensation excluding retirement benefit) | | Percentage Change (%) |
|----|---------------------|---|-----------|-----------------------|
| | | 2010 | 2011 | |
| 1 | All Directors | 525,251 | 538,907 | 2.60% |
| 2 | All Senior Officers | 918,649 | 1,017,393 | 10.75% |

If you are in any doubt about any of the contents of this Disclosure Document, you should seek independent professional advice.



PHNOM PENH WATER SUPPLY AUTHORITY

| | | |
|-------------------------------|----------|---|
| Class of Offer Shares | : | Ordinary Shares |
| Number of Offer Shares | : | 13,045,975 shares (subject to adjustment) |
| Offer Price | : | KHR 6,300 per Offer Shares payable in full in Khmer Riels upon application |
| Par value | : | KHR 1,000 |
| Offering Amount | : | KHR 82,189,642,500 |
| Stock Code | : | A000010 |

Sole Underwriter, Bookrunner and Lead Manager



TONGYANG Securities (Cambodia) Plc

This Disclosure Document is based on information and materials provided by PPWSA and other sources that PPWSA believes to be reliable. The Underwriter makes no representation or warranty, express or implied, as to the accuracy or completeness of such information and materials, and nothing contained in this Disclosure Document is, or shall be relied upon or construed as a promise, undertaking or representation by the Underwriter. The Underwriter assumes no responsibility or liability for the accuracy or completeness of information and the materials that are contained or referred to in this Disclosure Document.

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Any person in any jurisdiction outside Cambodia, in which the distribution of the Disclosure Document and the offer and sale of the Offer Shares is not restricted, must seek professional advice in relation to the contents of this Disclosure Document, and the relevant laws and system of taxation in Cambodia.

រដ្ឋាករទឹកស្វយ័តក្រុងភ្នំពេញ

Phnom Penh Water Supply Authority

Name of the Company: Phnom Penh Water Supply Authority (“PPWSA”)

Address: # 45, Street 106, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Cambodia

Website: www.ppwsa.com.kh E-mail: sx.relationship@ppwsa.com.kh

Phone number: +855 (0)23 430 541 Fax number: +855 (0)23 427 657

Company registration number: [●]..... Date: [●].....

License number: N/A Date: Anukret No. 52 dated on 19th December 1996.

EQUITY SECURITIES ISSUANCE

Registration number: [●]...../SECC

Issued by SECC, Date: [●].....

Underwriter

TONGYANG Securities (Cambodia) Plc.

This Disclosure Document and any supplementary materials can be obtained at:

- PPWSA: # 45, Street 106, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh
- TONGYANG Securities (Cambodia) Plc.: #138, 2F Paragon , Norodom Blvd., Phnom Penh, Cambodia
- ACLEDA Bank Plc. and ACLEDA Securities Plc. (See Section 2, b-9- Subscription place).
- SECC: # 99, Street 598, Sangkat Phnom Penh Thmei, Khan Sen Sok, Phnom Penh, Cambodia
- CSX: # 315, Preah Monivong (St. 93), corner of Ang Duong (St. 110), in Canadia Tower, 25th Floor, 12202, Phnom Penh, Cambodia

Date: 28 February 2012

Person in charge of providing Disclosure Document:

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Note to Investors

PPWSA's directors have approved the Khmer version of Disclosure Document for public issuance of equity securities. The members of Board of Directors jointly and severally take full responsibility for the accuracy of the information contained in the Khmer version of Disclosure Document. Having made all reasonable enquires and to the best of his/her knowledge and belief, the Board assures that there is no false or misleading statement or other facts if omitted would make any statement in the Khmer version of Disclosure Document false or misleading.

The Securities and Exchange Commission of Cambodia (SECC) has approved our Public Offering and a final copy of the Khmer version of this Disclosure Document has been registered and filed with the SECC. The approval and registration of the Khmer version of this Disclosure Document is not an indication that the SECC recommends the subscription of this (or "investment in this") securities offering or assumes responsibility for the accuracy of information, opinion or statement contained in this Disclosure Document.

The SECC is neither liable for any non-disclosed information and the content of this Disclosure Document, nor certify its accuracy or completeness. The SECC is not liable for any loss that investors may suffer from a whole or part of the content of this Disclosure Document.

Investors should rely on his/her own valuations to assess the accuracy and risks related to the Public Offering to invest in PPWSA by considering the objective of the investment, risk profile, his/her own financial position and so on. If investors have any doubt about this Disclosure Document or in considering the investment, they should consult with securities firms, investment advisors, or other professional advisers.

Tentative Timetable for the Offering

| Events | Tentative Date |
|--|-------------------------------|
| Opening date of book building | From 8:00am, 29 February 2012 |
| Closing date of book building | To 5:00pm, 13 March 2012 |
| Notice date to successful investors from book building | 23 March 2012 |
| Opening date of subscription | From 8:00am, 29 March 2012 |
| Closing date of subscription | To 5:00pm, 04 April 2012 |
| Date of subscribed equity securities allotment | 06 April 2012 |
| Date for dispatch of notices of successful applicants | 06 April 2012 |
| Listing date | 18 April 2012 |

* Note: Business hours are 8:00 am to 12:00 am and 1:00 pm to 5:00 pm except for weekends and official national holidays in Cambodia

The tentative timetable is subject to change if necessary to facilitate the implementation of procedures. The subscription remains open until 5 p.m. on 04 April 2012.

In case the closing date of subscription is delayed and notification is made, the date of allotment and listing date shall be extended accordingly. PPWSA shall notify the public via The Phnom Penh Post recognized by the SECC.

Summary of the Guideline on Book Building and Subscription of Equity Securities

In accordance with the Law on Issuance and Trading of Non-government Securities No. NS / RKM / 1007 / 028 dated on 19 October 2007, Anukret on the Implementation of the Law on Issuance and Trading of Non-government Securities No. 54 ANKR BK dated on 8 April 2009, Prakas No. 001 SECC on Public Issuance of Equity Securities dated on 15 January 2010 and other relevant regulations in effect, and in order to ensure the smooth implementation and functioning of the IPO process, the Guideline on Book Building and Subscription of Equity Securities has been issued by the SECC. The summary of the Guideline is as follows:

I. Book Building Stage

1. After receiving the SECC's approval in principle on the public offering of equity securities, the Company (i.e., the issuer) shall, with the advice of the Underwriter, prepare for the Book Building by making a public announcement to invite prospective investors for their participation.
2. To encourage investors to actively participate in the Book Building and to ensure that the price of equity securities reflects the market demand, the equity securities which are placed for the Book Building shall be equal to 70% of the total equities securities remaining after deduction for Employee Stock Ownership Plan ("ESOP") in case the Company has implemented such a policy through the ESOP. The remaining 30% will be reserved for subscription by the unsuccessful investors and investors who did not participate in the Book Building.
3. An investor who participates in the Book Building shall complete the Book Building Form as determined by the SECC. In the Book Building Form, the investor shall select its single bid price within the price range of the equity securities prescribed in the Disclosure Document that has been approved in principle by the SECC. The investor shall also indicate the quantity of the equity securities which the investor intends to subscribe.
4. An investor who has participated in the Book Building shall make a deposit for the amount which equals to 10% of the total value of the equity securities that it has bid on the Book Building Form (the "10% Deposit").
5. After the completion of Book Building, the Company shall, with the advice of the Underwriter, determine the Offering Price of the equity securities and request for an approval from the SECC with an attached list of successful and unsuccessful investors from the Book Building.
6. A successful investor from the Book Building refers to an investor who has selected in its Book Building Form, a price that is equal to or higher than the Offering Price. The Company, with the advice of the Underwriter, shall calculate the Offering Price using the weighted-average method based on the price and the quantity of equity securities that investors have selected and indicated in the Book Building Form.
7. The Offering Price calculated pursuant to the foregoing paragraph may be adjusted in order to reflect the market situation by obtaining an approval from the SECC.

8. Immediately after the final approval for the registration of the Disclosure Document, the Company shall, with the advice of the Underwriter, inform the successful investors and the unsuccessful investors from the Book Building. At the same time, the Company shall refund the 10% Deposit to the unsuccessful investors from the Book Building or keep it in case where any one of such unsuccessful investors decides to continue to participate in the subscription process.

II. Subscription Stage of Equity Securities

9. A successful investor from the Book Building may subscribe for a quantity of equity securities in excess to the quantity that has been reserved from the Book Building by making additional required deposits in respect of the actual quantity of equity securities that it subscribes.
10. An unsuccessful investor from the Book Building wishing to continue to participate in the subscription may subscribe for the equity securities by making additional required deposits in respect of the actual quantity of equity securities that it subscribes.
11. An investor who did not participate in the Book Building may participate in the subscription by making a deposit in the amount that is no less than 100% of the total value of the amount of equity securities that it intends to subscribe.
12. Successful investors from the Book Building shall submit their Subscription Forms. During the subscription period, provided that the total quantity of equity securities subscribed by the successful investors exceeds the quantity that has been reserved for the successful investors from the Book Building, any of the other successful investors who have not submitted their Subscription Forms shall be entitled to withdraw their 10% Deposit.
13. In case the successful investors subscribe for an amount of equity securities in excess to the amount of equity securities that has been reserved from the Book Building, the Company shall, with the assistance of the securities registrar, allot the equity securities to the successful investors from the Book Building on a pro-rata basis.
14. In case the successful investors subscribe for a quantity of equity securities in excess to the quantity of equity securities that has been reserved for the successful investors from the Book Building, then notwithstanding Paragraph 13 in the foregoing, the SECC may exercise its discretion to allot successful investors with any additional quantity of equity securities that has been oversubscribed by the successful investors provided that such additional quantity does not exceed 2/3 of the total quantity of equity securities that has initially been reserved for other investors including the unsuccessful investors and the investors who did not participate in the Book Building process.
15. After completion of the subscription process, if there are subscribers who did not get their respective portion of equity securities that they subscribed, the Company shall, with the advice of the Underwriter, refund the overpaid amount from the subscription to the corresponding subscribers.

16. With respect to the successful investors who have submitted their Subscription Forms, if the total quantity of equity securities that they have subscribed is less than the quantity of equity securities that has been reserved for the successful investors from the Book Building, then all such successful investors shall be deemed to have subscribed to the quantity of equity securities that at least equals 10% of the total quantity of equity securities bid during the Book Building.
17. Without prejudice to Paragraph 16 in the foregoing, in case that the total quantity of equity securities subscribed by the successful investors is less than the quantity of equity securities that has been reserved for successful investors from the Book Building, the Company shall, with the assistance of the securities registrar, allot such successful investors with the quantity of equity securities that they have subscribed. Thereafter, any remaining quantity of equity securities shall be allotted to the other investors including the unsuccessful investors and the investors who did not participate in the Book Building process.
18. In case that the total amount of equity securities that has been subscribed by unsuccessful investors and investors who did not participate in the Book Building exceeds the amount of equity securities that has been reserved for these particular group of investors, the Company, with the assistance of the securities registrar, shall allot the relevant equity securities on a pro-rata basis.
19. In case that the total amount of equity securities that has been subscribed by unsuccessful investors and investors who did not participate in the Book Building is less than the amount of equity securities that has been reserved for these particular group of investors, the Company, with the assistance of the securities registrar, shall allot the equity securities to such investors in accordance with their respective subscription, and the remainder of equity securities shall be allotted to the successful investors from the Book Building provided that these successful investors have subscribed for equity securities in excess to the amount that has been reserved for them in the Book Building.
20. In case that there is any equity securities remaining after the subscription process as prescribed in this Guideline, the Company's designated underwriter(s) shall subscribe to all such securities including the fractional number of unsubscribed equity securities remaining after the allotment process that has been agreed to by the Company and its designated underwriter(s) in accordance with this Guideline
21. After completion of the subscription of equity securities, the Company, with the advice of its underwriter(s) and the assistance of the securities registrar, shall prepare a report on the result of the subscription and immediately submit such report to the SECC for review and approval.

Abbreviations

| | |
|--------|---|
| ADB | Asian Development Bank |
| ADD | Average Day Demand |
| AFD | Agence Française de Développement |
| AIMF | Association Internationale des Maires Francophones |
| AOI | Articles of Incorporation |
| ATM | Automatic Teller Machine |
| BIOD | Biological Oxygen Demand |
| BOD | Board of Directors |
| CAS | Cambodian Accounting Standards |
| CNDWQS | Cambodian National Drinking Water Quality Standard |
| CEEI | Compagnie des Eaux et Electricité de l'Indochine |
| CFU | Colony Forming Unit |
| CIFRS | Cambodian International Financial Reporting Standards |
| COD | Chemical Oxygen Demand |
| CSX | Cambodia Securities Exchange |
| EDC | Electricité du Cambodge |
| EFTPOS | Electronic Funds Transfer at Point of Sale |
| ESOP | Employee Share Ownership Plan |
| FY | Fiscal Year |
| HDPE | High-density Polyethylene |
| HWL | High Water Level |
| IPO | Initial Public Offering |
| JICA | Japan International Corporation Agency |
| KW | Kilowatt |
| L | Liter |
| LWL | Low Water Level |
| m3 | Cubic Meters |
| mg | Milligram or 1/1,000,000 of a kilogram |
| MDD | Maximum Day Demand |
| MEF | Ministry of Economy and Finance |
| MIME | Ministry of Mines, Industry and Energy |
| MOC | Ministry of Commerce |
| NBC | National Bank of Cambodia |
| NGO | Non-governmental Organization |

| | |
|-------|---|
| NRW | Non-revenue Water |
| NTU | Nephelometric turbidity units |
| NMIS | Navision Management Information System |
| O&M | Operations and Maintenance |
| OSD | Operator of Securities Depository |
| PPE | Property, Plant and Equipment |
| PPM | Parts per million |
| PPWSA | Phnom Penh Water Supply Authority |
| RDE | Régie des Eaux de Phnom Penh |
| RGC | Royal Government of Cambodia |
| RWPS | Raw Water Pumping Station |
| RWTM | Raw Water Transmission Main |
| SCADA | Supervisory Control and Data Acquisition |
| SDR | Special Drawing Rights |
| SECC | Securities and Exchange Commission of Cambodia |
| SWOT | Strengths Weaknesses Opportunities Threats |
| TWPS | Treated Water Pumping Station |
| WHO | World Health Organization |
| WTP | Water Treatment Plant |
| UNTAC | United Nations Transitional Authority in Cambodia |
| VAT | Value Added Tax |

Definitions

Unless otherwise marked hereunder, the following definitions are direct English translations of the definitions prescribed in the relevant securities-related laws and regulations of Cambodia including, but not limited to, the Law on Issuance and Trading of Non-government Securities No. 54 ANKR BK dated 8 April 2009, the SECC Regulations and the CSX Rules as promulgated and amended from time to time, and such definitions do not necessarily reflect the definitions as used in accounting standards, international markets or jurisdictions outside of Cambodia.

- **Absolute Valuation:** Absolute valuation models attempt to find the intrinsic or “true” value of an investment based only on fundamentals. Those fundamentals are dividends, cash flow, and growth rate for a single company, and not worry about any other companies. Valuation models that fall into this category include the dividend discount model, discounted cash flow model, etc.
- **AOI:** A set of documents filed with a government body for the purpose of legally documenting the creation of a corporation. Articles of incorporation typically contain pertinent information such as the firm's address, profile, distribution of corporate powers and the amount/type of stock to be issued.
- **Audit Committee:** A committee of the board responsible for review and oversight of the Listed Public Enterprise's financial statement, internal and external controls and auditing.
- **Board of Directors:** A committee elected by the company's stockholders at their annual meeting. The board carries out tasks described in the company's charter such as appointing corporate officers, issuing shares of stock, and declaring dividends. The board members usually include many of the company's top executives, called inside directors, as well as some members of the broader financial community who are not employed by the company, called outside directors.
- **Book Building:** A process contemplated under the SECC's Guideline on Book Building and Subscription of Equity Securities which involves the surveying and gathering of information relating to the investors' demand for, or participation in the subscription of, the shares that are to be publicly offered by the issuing company in question for the purpose of determining the most appropriate offering price for such shares.
- **Business Day:** A measurement of time that typically refers to any day in which normal business is conducted. This is generally considered to be Monday through Friday from 8am to 5pm local time, and excludes weekends and public holidays.
- **Call Market:** A type of market in which each transaction takes place at predetermined intervals and where all of the bid and ask orders are aggregated and transacted at once. The exchange determines the market clearing price based on the number of bid and ask orders. A call market is contrasted to an auction market, where orders are filled as soon as a buyer/seller is found for any given order at an agreed upon price.
- **Cambodian Investor:** A natural person who has Cambodian nationality or a legal entity in which no less than 51% of its total share capital is owned by a person or persons having Cambodian nationality.

- **Capitalization:** The total dollar market value of all of a company's outstanding shares. Market capitalization is calculated by multiplying a company's shares outstanding by the current market price of one share. The investment community uses this figure to determine a company's size, as opposed to sales or total asset figures.
- **Comparative Valuation:** Relative Valuation Models operate by comparing the company in question to other similar companies. These methods generally involve calculating multiples or ratios, such as the price-to-earnings (P/E) multiples, and comparing them to the multiples of other comparable firms.
- **Depository Receipt:** A negotiable financial instrument issued by a bank to represent a foreign company's publicly traded securities. The depository receipt trades on a local stock exchange.
- **Derivative Instrument:** A security whose price is dependent upon or derived from one or more underlying assets. The derivative itself is merely a contract between two or more parties. Its value is determined by fluctuations in the underlying asset. The most common underlying assets include stocks, bonds, commodities, currencies, interest rates and market indexes. Most derivatives are characterized by high leverage.
- **Director:** A person who serves on a company's board of directors. Any person who leads or supervises a project or entity.
- **Disclosure Document:** A document that describes a financial security for potential buyers with a description of the company's business, financial statements, biographies of officers and directors, detailed information about their compensation, any litigation that is taking place, a list of material properties and any other material information.
- **Employee Stock Ownership Plan (ESOP):** A program enabling corporate employees to purchase their company's stock. ESOPs are often a method of rescuing a company or facility which would close if employees did not grant wage concessions in exchange for ownership rights.
- **Enterprise Value:** A measure of a company's value, often used as an alternative to straightforward market capitalization. Enterprise value is calculated as market cap plus debt, minority interest and preferred shares, minus total cash and cash equivalents.
- **Equity Securities:** Any stock that represents ownership in the issuing company, including common stock, preferred stock and warrants.
- **EV/EBITDA:** This valuation metric is calculated by dividing a company's "enterprise value" by its earnings before interest expense, taxes, depreciation and amortization (EBITDA). Such multiple serves as a proxy for how long it would take for an acquisition to earn enough to pay off its costs (assuming no change to EBITDA).
- **Executive Director:** A director who holds position as a senior officer in the company.
- **Free Float:** The number of shares available to the public. Float is calculated by subtracting the shares held by insiders, and those deemed stagnant shareholders, from the total shares outstanding that appear on the security's DES page. Stagnant shareholders include Employee Stock Ownership Plans (ESOP), Employee Stock Ownership Trusts (ESOT), Qualifying Employee Share Ownership Trusts (QUEST), employee benefits trusts, board

members, directors, executives, corporations not actively managing money, government ownership, and venture capital companies.

- **Independent Director:** A member of a company's board of directors who was brought in from outside the company. Because an independent outside director has not worked with the company for a period of time (typically for at least the previous year), he or she is not an existing manager and is generally not tied to the company's existing way of doing business
- **Initial Public Offering:** The first time an issuer sells stock to the public and is listed on an official exchange.
- **Investment Advisor:** A consultant who is not part of the underwriting syndicate and advises the issuer on matters pertinent to the issue, such as structure, timing, marketing, fairness of pricing, terms, and bond ratings.
- **Listed Entity:** A public limited company or permitted entity that is listed on the securities market approved in accordance with the Law and this Anukret.
- **Listed Public Enterprise:** The Public Enterprise which conducts public offer in the Kingdom of Cambodia.
- **Listing of Equity Securities:** Listing and selling of shares on the CSX.
- **Lock-up:** Typically a legally binding contract between the underwriters and insiders of a company prohibiting these individuals from selling any shares of stock for a specified period of time. Lock-up periods typically last 180 days (six months) but can on occasion last for as little as 120 days or as long as 365 days (one year). In compliance with Cambodian regulations, Lock-up means an agreement preventing shareholders with controlling interest in voting share from selling or transferring their shares for a period of at least one year, and shareholders owning at least 15% of total shares from selling or transferring their shares for a period of at least six months after initial listing.
- **Minority Shareholder:** Typically an investor who owns less than 50 percent of a company's voting shares. In compliance with Cambodia regulation, Minority Shareholder means a shareholder who owns less than 5% of the voting shares.
- **Net Worth:** The amount by which assets exceed liabilities. This term can be applied to companies and individuals.
- **New Securities:** A security that has not been previously issued or sold by the issuing company at the time a public offer in relation to the security is made in accordance with this Law.
- **Non-Executive Director:** A director, who doesn't execute daily operation in the Listed Public Enterprise, who is a non-executive director as the representative of private shareholders and public shareholders.
- **Nomination committee:** A committee that acts under the corporate governance area of an organization. A nomination committee is focused on evaluating the board of directors of its respective firm and on examining the skills and characteristics that are needed in board candidates. Nomination committees may also have other duties, which vary from company from company.

- **Permitted Entity:** A legal entity, other than a public limited company incorporated in Cambodia, that is permitted in accordance with the provision of this Law and other regulation to offer and issue securities to members of the public in Cambodia.
- **P/E:** A valuation ratio of a company's current share price compared to its per-share earnings, calculated as Market Value per Share/Earnings per Share. It determines how many times a stock (its price) is trading per each dollar of earnings per share.
- **Professional Independent Accountant:** A licensed accountant who has passed certain exams, has achieved a proficient amount of experience and has met all requirements designated by the state in which he practices. CPA's can prepare corporate and personal tax returns as well as usual accounting and auditing work.
- **Premium:** The amount for which a security is selling or is redeemed above its par value.
- **Private Shareholder:** A private person who holds the shares of the company.
- **Professional Advisor:** The advisors of a public limited company or permitted entity, includes a professional accountant, lawyer or securities dealer that provides advice to the company or entity.
- **Public Enterprise:** The Enterprises established in accordance with the Law on the General Status of Public Enterprises.
- **Public Investor:** A member of the public in the Kingdom of Cambodia including a natural person or legal entity, who has the financial and legal capacity to invest in non-government securities issued and made public offer in the Kingdom of Cambodia by a limited company or permitted entity which is not an associate or subsidiary or related legal entity of that company.
- **Public Limited Company:** The standard legal designation of a company which has offered shares to the general public and has limited liability. A Public Limited Company's stock can be acquired by anyone and holders are only limited to potentially lose the amount paid for the shares.
- **Public Ownership:** The shares held by a public shareholder of a joint stock company's capital, held by the government, public institution or state-owned enterprise.
- **Public Shareholders:** Ownership by the government
- **Record Date:** The date on which a holder of the security must be registered with the issuer in order to receive a coupon or dividend payment on the next payment date.
- **Risk Management Committee:** means a specialized committee of the board responsible for analyzing, evaluating, monitoring and reporting on Listed Public Enterprise's risks and risk management.
- **Securities and Exchange Commission of Cambodia:** The government agency that regulates and supervises the securities industry. The commission administers laws related securities, formulates and enforces rules to protect against malpractice, and seeks to ensure that companies provide the fullest possible disclosure to investors. All of the national exchanges and virtually all institutions in the securities industry fall under its jurisdiction.

- **Securities Certificate:** A document that verifies stock ownership and details such information as the security's par value, the number of shares involved, the issuing company's name, and the owner's name.
- **Securities Market:** The organized trading of stocks through exchanges as well as over-the-counter.
- **Senior Staff (Officer):** The staff working for a company in the position from Heads of Department to chief executive officer including the company secretary and head of internal audit and any other important positions.
- **Shareholders' Equity:** A company's total assets minus total liabilities.
- **Substantial Interest in voting share:** An interest or combination of interests, including the legal interest of an associate or related entity in voting shares of the public limited company or permitted entity that gives the person the ability to control 5% or more of the total votes attached to voting shares in the company or permitted entity.
- **Subscriber:** An investor who promises to buy a specific number of shares of a newly issued security.
- **Underwriting Agreement:** The contract between an underwriting syndicate and the security's issuer, with the agreement spelling out the terms, price, and account settlement details.
- **Voting Share:** Shares that give the stockholder the right to vote on matters of corporate policy making as well as who will compose the members of the board of directors.
- **Stock Option:** The right to buy a specific number of shares within a particular time period at a specific price. Such an option is sometimes used as an employee incentive.

Definition or Technical Words related to Water Treatment

- **Algae:** A kind of green plant, surviving in the water.
- **Clean Water Pumping Station:** The building equipped with the water pump with the role of pumping the portable water from the water reservoir into the water distribution network.
- **Coverage Ratio:** The ratio of population using direct housing connections through a central distribution system against the total population within the area. Population which utilizes private wells, vendors or undetermined sources is excluded from the supply coverage.
- **Filtration Tank:** The tank which receives clear water on the upper part from sedimentation tank for filtration.
- **Floating Station:** Referring to construction erected on water surface and is floatable on water surface and is able to pump water for distribution.
- **Flocculation Tank:** The tank, in which the turbidity can flocculate after dropping chemical substances and radical mixing.
- **Intake Tower:** The building constructed on the bank of the river, stream, lake or canal to pump the water from the well for consumption.
- **High Water Demand Hour:** The time when customers have the highest demand for water.
- **Main Meter:** The big water meter installed on the big pipe for measuring the quantity of crossing water.
- **Main Pipe for Draining Turbid Water:** The main pipe for draining turbid water. Generally, it drains turbid water from turbid water pumping station to treatment plant.
- **Mixing Tank:** Water reservoir for radically mixing the chemical substances dropped into the receiving basin.
- **Peri-Urban:** The area surrounding the city.
- **Potable Water Main Pipe:** A big water pipe for transmitting potable water from treatment plant for distribution.
- **Portable Water Reservoir:** The reservoir for reserving already-filtered water and prepared for pumping for distribution.
- **Portable Water Pump:** The special pump that can pump the portable water from the water reservoir into the water distribution network.
- **Rapid Mixing Motor:** A kind of special motor with rapid mixing speed according to time setting.
- **Raw Materials:** Referring to some major chemicals, such as chlorine, lime, alum or PAC for clearing the water.
- **Raw Water Pump:** The special pump that can pump the raw water.

- **Raw Water Transmission Pipe:** The transmission pipe that brings the raw water, generally bring the raw water from the intake tower to the treatment plant.
- **Receiving Basin:** The basic for receiving the raw water pumped from the intake tower
- **River Water Level:** The measurable height of river water level compared to sea level.
- **SCADA System:** The Supervisory Control and Date Acquisition.
- **Sedimentation Basin:** The tank, in which turbidity filters and falls down.
- **Sewage System:** Referring to the system for disposing sludge from water treatment plant.
- **Treatment Plant:** The building to treat the raw water into the portable water.
- **Valves:** A kind of equipment for disposing air from water pipe.
- **Water Reservoir:** Referring to high level tank for storing water.
- **Water Sample:** Referring to the sample of water for testing.

Disclaimer

GENERAL

This Disclosure Document is based on information and materials provided by PPWSA and other sources that PPWSA believes to be reliable. The Underwriter makes no representation or warranty, express or implied, as to the accuracy or completeness of such information and materials, and nothing contained in this Disclosure Document is, or shall be relied upon or construed as a promise, undertaking or representation by the Underwriter. The Underwriter assumes no responsibility or liability for the accuracy or completeness of information and the materials that are contained or referred to in this Disclosure Document.

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The investors and all other readers of this Disclosure Document hereby acknowledge and understand that only the Khmer version of this Disclosure Document has been approved from and registered with the SECC and that this English version of the Disclosure Document and all the English translations contained herein are, for all intents and purposes, purely for reference only and for the convenience of the readers whose primary language is not Khmer. Such investors and readers further acknowledge and understand that, with any kind of translation between two different languages, the translation of a particular word or a phrase in one language may not completely accurately convey the full meaning of the corresponding word or a phrase in the other language. PPWSA and the Underwriter and any of their respective directors, officers, employees, representatives or affiliates, shall not take or assume any kind of liability or responsibility whatsoever in connection with any matters that arise due to or as a result of any inaccuracy, incompleteness or omissions in the English translations of the Disclosure Document as between the Khmer version of the Disclosure Document.

FORWARD-LOOKING STATEMENTS

This Disclosure Document includes forward-looking statements that reflect PPWSA's current views with respect to future events and financial and operational performance, including, but not limited to, statements relating to the risks specific to PPWSA's business, the strengths of PPWSA, and the implementation of strategic initiatives, as well as other statements relating to PPWSA's future business development and financial performance. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms

“assumes”, “projects”, “forecasts”, “estimates”, “expects”, “anticipates”, “believes”, “plans”, “intends”, “may”, “might”, “will”, “would”, “can”, “could”, “should” or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements are not historic facts. They appear in a number of places throughout this Disclosure Document and include statements regarding PPWSA’s intentions, beliefs or current expectations concerning, among other things, financial position, operating results, liquidity, prospects, growth, strategies and the industry in which PPWSA operates.

Prospective investors in the Shares are cautioned that forward-looking statements are not guarantees of future performance and that PPWSA’s actual financial position, operating results and liquidity, and the development of the industry in which PPWSA operates, may differ materially from those made in or suggested by the forward-looking statements contained in this Disclosure Document. PPWSA cannot guarantee that the intentions, beliefs or current expectations upon which its forward-looking statements are based will occur.

By their nature, forward-looking statements involve and are subject to known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set out in the forward-looking statements. Important factors that could cause those differences include, but are not limited to:

the effect of changes in demand and pricing for PPWSA’s output; the potential number of new connections and the capital cost of the connections, and average tariff associated with those connections; earnings, cash flow, dividends and other expected financial results and conditions; delay or cost overruns in the construction projects for the new WTPs; technological changes and new products and services introduced into PPWSA’s market and industry; fluctuations of exchange rates; changes in general economic and industry conditions; political, governmental, social, legal and regulatory changes; access to funding; and taxation audits and reassessments.

Some of the risks that could affect PPWSA’s future results and could cause results to differ materially from those expressed in the forward-looking statements are discussed in Section 3 “Risk Factors”.

The information contained in this Disclosure Document, including the information set out under Section 3 “Risk Factors”, identifies additional factors that could affect PPWSA’s financial position, operating results, liquidity and performance. Prospective investors in the Shares are urged to read all sections of this Disclosure Document and, in particular, Section 3 “Risk Factors” for a more complete discussion of the factors that could affect PPWSA’s future performance and the industry in which PPWSA operates when considering an investment in PPWSA.

Save as required by Cambodian Law, PPWSA and the Underwriter undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to PPWSA or to persons acting on PPWSA's behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Disclosure Document.

DISCLAIMER IN RELATION TO REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS DISCLOSURE DOCUMENT

No person has been given the authorization to give any information or to make any representation, except as expressly contained in this Disclosure Document. If given or made, any such information or representation may not be relied upon as having been authorized by PPWSA or the Underwriter

PROSPECTIVE INVESTORS IN JURISDICTIONS OUTSIDE CAMBODIA

The distribution of this Disclosure Document and the offer and sale of the Offer Shares may be illegal in certain jurisdictions. PPWSA and the Underwriter require persons into whose possession this Disclosure Document may come, to inform themselves of and observe any restrictions which may apply to this Disclosure Document and the offer and sale of the Offer Shares in relevant jurisdiction. This Disclosure Document does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of PPWSA in any jurisdiction, to or from any person to whom it is unlawful to make such an offer in such jurisdiction.

Any person in any jurisdiction outside Cambodia, in which the distribution of the Disclosure Document and the offer and sale of the offer shares is not restricted, must seek professional advice in relation to the contents of this Disclosure Document, and the relevant laws and system of taxation in Cambodia.

STATUS OF THE ENGLISH VERSION OF THIS DISCLOSURE DOCUMENT

The English version of this Disclosure Document is entirely for the convenience of the public investors who are unable to read Khmer. The prospective investor should use the Khmer version as material for making decision and the English version is served as a reference purpose only. The Khmer version of this Disclosure Document is the official version of the Disclosure Document that is approved and registered with SECC.

TRANSLATION OF AMOUNTS INTO KHMER RIEL OR OTHER CURRENCIES

In this Disclosure Document, references to "\$," "U.S.\$," "USD" or "U.S. dollars" are to United States Dollars. In accordance with the Law on Corporate Accounts, Their Audit, and the Accounting Profession, PPWSA prepares its accounts in the Khmer language and expresses amounts in Khmer Riels, which are referred to as "Riels" or "KHR."

In this Disclosure Document, references "\$," "U.S.\$," "USD" or "U.S. dollars" are to translations of certain amounts into United States Dollars at specified rates solely for the convenience of potential investors based on the fact that the USD is the de facto currency of commerce in the Kingdom of Cambodia. Unless otherwise indicated, the translation of KHR to USD is conducted at the rate of KHR 4,053 to USD 1. The exchange rate is the, KHR: USD exchange rate, published by the National Bank of Cambodia on 31 December 2010.

No representation is made that the KHR, USD or any other currency amounts referred to in this Disclosure Document herein could have been or could be converted into KHR, USD or any other currency, as the case may be, at this rate, at any particular rate, or at all.

DISTRIBUTION

The electronic Disclosure Document in Khmer can be viewed or downloaded from SECC website at <http://www.secc.gov.kh> . A copy of Khmer version and English version of Disclosure Document are also available on PPWSA's website (www.ppwsa.com.kh), ACLEDA Securities Plc (www.acledasecurities.com.kh), and ACLEDA Bank Plc (www.acledabank.com.kh). The electronic Disclosure Document may also be delivered to prospective investors or viewers by email upon their request. By receiving this Disclosure Document through electronic transmission such as, but not necessarily limited to, as an attachment of an e-mail that was dispatched or circulated by PPWSA or the Underwriter or any of their affiliates, or by downloading this Disclosure Document from the internet websites described in the foregoing, the investors or any other viewers are deemed to have given their full acknowledgement and consent to all notices, disclaimers, conditions and statements contained or disclosed in this Disclosure Document. Such investors or viewers are reminded of the fact that this Disclosure Document and any of the content contained herein may subsequently be altered, changed or updated either (i) during the process of electronic transmission, (ii) pursuant to the applicable laws and regulations, (iii) for the purposes of final registration with the SECC or (iv) at the discretion of PPWSA under proper authority, without informing or alerting such investors or viewers in advance.

The aforementioned investors and viewers are further reminded that none of PPWSA or the Underwriter or any of their respective directors, officers, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any real or potential discrepancies between the hard copy of the Disclosure Document that has been printed with the proper authority from PPWSA and any electronic copy of the Disclosure Document that has not been obtained directly from the authorized websites prescribed herein. PPWSA and the Underwriter will provide a hard copy version to such investors and viewers upon due request.

The aforementioned investors and viewers fully acknowledge that they will view the Disclosure Document only on the basis that they are lawfully allowed to do so under the laws of the jurisdiction in which they are located and are reminded that they are not authorized to deliver or forward this Disclosure Document, electronically or otherwise, to any other person.

The investors and viewers who receive this Disclosure Document via e-mail should not reply to such e-mail under all circumstances, and any reply e-mail communications by such investors

and viewers will be ignored and rejected. The e-mail containing the Disclosure Document or any subsequent e-mails related thereto are intended only for the recipient(s) that are expressly indicated on such e-mails and any other unintended recipients should immediately notify PPWSA or the Underwriter and destroy the relevant e-mails from their system.

The investors and viewers who receive or otherwise come across the Disclosure Document hereby acknowledge and undertake that the Disclosure Document will not be forwarded or distributed to any other person and will not be reproduced in any manner whatsoever. Any forwarding, distribution or reproduction of the Disclosure Document in whole or in part is unauthorized. Failure to comply with this directive may result in a violation of the applicable laws and regulations of the jurisdiction in which they are in, and none of PPWSA or the Underwriter or any of their respective directors, officers, employees, representatives or affiliates will be liable or responsible for such violation.

Conventions

Unless stated otherwise, certain financial data, where appropriate and applicable, in this Disclosure Document including, in particular, those contained under Section 7 are derived from the unqualified audited financial statements for the years ended 31 December 2008, 2009 and 2010 and the unaudited interim financial statements for the nine months ended 30 September 2011, prepared in accordance with the Cambodian Accounting standards and accordance with the Law on Corporate Accounts, Their Audit, and the Accounting Profession.

PPWSA's fiscal year commences on 1 January and ends on 31 December of each year. Unless otherwise stated herein, references to a year is 31 December of that year. For example, a reference to 2010 in a table would be a reference to 31 December 2010.

All references to "Cambodia" contained in this Disclosure Document are to the Kingdom of Cambodia.

All references to KHR are to Khmer Riels, the official currency of the Kingdom of Cambodia.

SECTION 1: SUMMARY OF DISCLOSURE DOCUMENT

This section does not fully convey all of the information necessary to make an informed investment decision and evaluate the prospects of PPWSA, and it does not necessarily contain or represent a summary of every aspect of this Disclosure Document. It is important that all readers including the prospective investors read the Disclosure Document in its entirety, and, in particular, the sections entitled Section 3 - “Risk Factors” and Section 7- “Financial Information” for a further discussion of the factors that could affect the future performance of PPWSA.

1- Company’s Overview

After decades of conflict, PPWSA’s plant and equipment had been destroyed, damaged or left in a state of disrepair. In 1993, H.E. Ek Sonn Chan assumed leadership of PPWSA. Under his leadership, PPWSA has been completely transformed: water treatment and distribution network, and staff capacity building have been improved. Since 1999, the Customer collection rate on water consumption has been more than 99%. Non-revenue water rate has been below 10% since 2005. These outcomes indicate that PPWSA is an organization that is ranked amongst the leading water suppliers in the world. With these performance improvements, PPWSA was awarded the “Water for All” from ADB in 2004 and the “Stockholm Industry Water Award” in 2010. Furthermore, H.E. Ek Sonn Chan obtained the award of “Ramon Magsaysay” in 2006 and the award of “Chevalier dans l’ordre de la legion d’honneur” which was conferred by the President of France in 2010.

PPWSA is a Cambodian public enterprise which provides water treatment, water supply and delivery services to 202,929 connections as at the end of 2010 in the greater Phnom Penh area, which includes the urban and several peri-urban areas of Phnom Penh and Takhmau. The customer base consists of predominantly residential customers, as well as commercial and industrial customers, and government institutions.

PPWSA’s mission is to continuously and adequately satisfy the needs of the residents of Phnom Penh by providing 24-hours-a-day access to clean water and to expand its coverage to the peri-urban areas bordering Phnom Penh City.

PPWSA is a monopoly supplier of water in Phnom Penh, and is not subject to any competition at any stage in its value chain, the principal activities of which are the intake of raw water, its treatment and distribution to consumers. PPWSA’s coverage ratio is approximately 90% as of the end of 2010.

PPWSA sources raw water from the Mekong, Tonle Sap and Tonle Basac Rivers, where the water is treated at the Chrouy Changva, Phum Prek and Chamkar Mon WTPs, respectively.

For the year 2010, PPWSA treated 102,169,205 m³ of raw water per year and transmitted and distributed clean water to:

- Residential customer population of 1,355,800 through 169,700 connections
- Industrial and commercial customers through 32,488 connections
- Governmental institutions through 741 connections

PPWSA also has an extensive corporate social responsibility program, and provides subsidized services to the poor under its program, "Clean Water for All". This program has been aided by donations from the WB, the City of Paris and the AIMF. Further subsidies are available to the poor in the urban area for water connections, with the level of subsidy being dependent on certain criteria being met by the applicants. The subsidies have been funded in part by the WB.

For the year ended 31 December 2010, PPWSA had revenues of KHR 106,265,913,000, expenses of KHR 70,036,453,000 and a net profit after tax of KHR 30,506,352,000. The revenue from the sales of treated water was KHR 96,024,177,000 and the revenue from new connections was KHR 4,465,553,000. As at December 31, 2010, PPWSA had total assets of KHR 746,097,282,000 and shareholders' equity of KHR 515,567,573,000.

Three major expenses represented 84% of PPWSA's operating expenses for the financial year ended 31 December 2010. During this financial year, electricity accounted for approximately 30.3%, depreciation for approximately 29.3% and salaries, wages and staff allowances for approximately 24.5% of the total operating expenses.

PPWSA has committed to spend KHR 366,592,723,266 (USD 90,449,722) for the first stage and a further KHR 119,239,260,000 (USD 29,420,000) for the second stage of the construction of a new WTP at Niroth, which will draw raw water from the Mekong River. At the completion of the first stage, the Niroth WTP will increase PPWSA's water supply capacity by approximately 130,000 m³ per day on average.

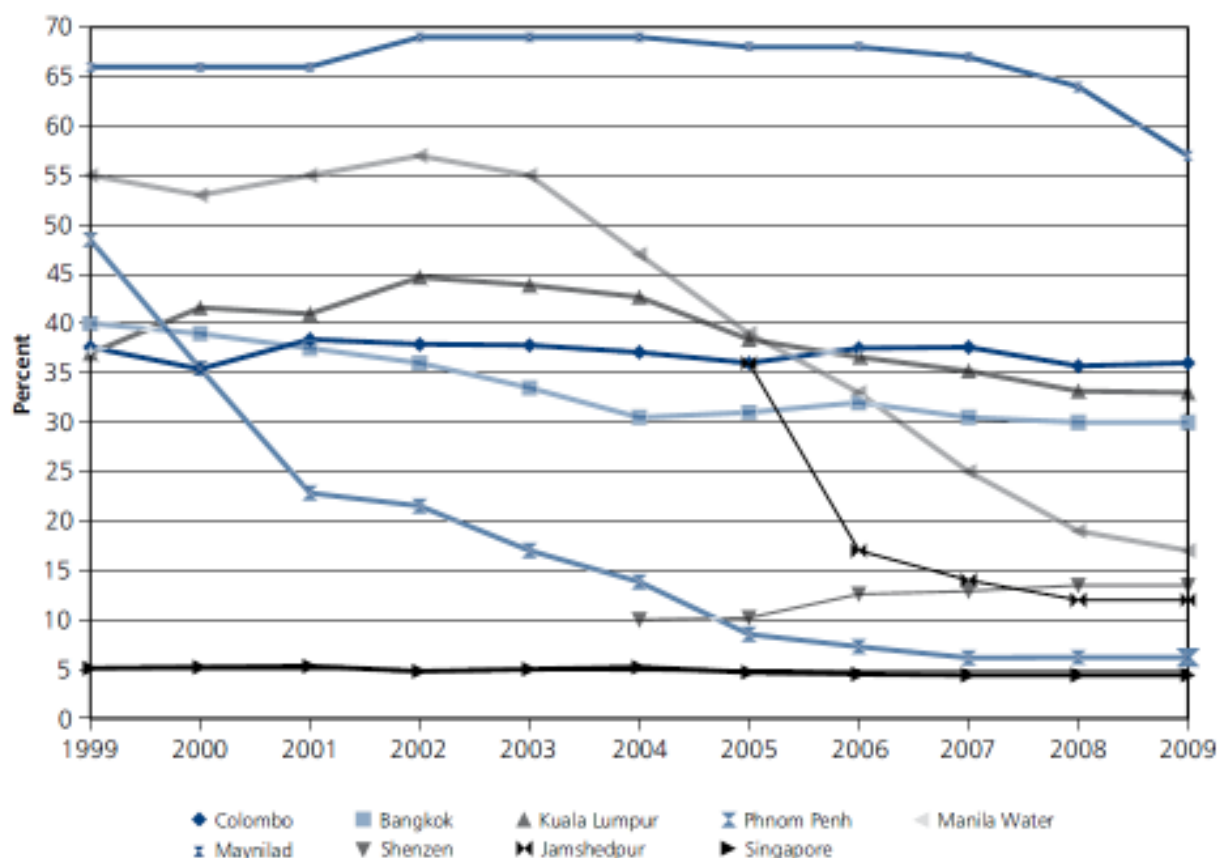
PPWSA has also committed to spend KHR 44,942,400,000 (stipulated as JPY 720,000,000 under the relevant loan contract that extends the loan to PPWSA intended for the solar electric generation) on a solar electric generation facility which is projected to reduce PPWSA's electricity costs by 5.3% of the total energy consumption.

The summary of PPWSA's progress since 1993 to 2010:

| Key Performance Indicators | 1993 | 2010 |
|------------------------------|--------|---------|
| Staff/1,000 customers | 20 | 2.96 |
| Production capacity (m3/day) | 65,000 | 330,000 |
| Water quality | - | WHO |
| Coverage area | 20% | 90% |
| Supply duration (hour/day) | 10 | 24 |
| Supply pressure (bar) | 0.2 | 2.5 |
| Number of connections | 26,881 | 202,929 |
| Non-Revenue Water | 72% | 5.85% |
| Collection Ratio | 48% | 99.22% |

The ability to control NRW is a critical success factor for any water supply authority, as this is the most significant driver of financial performance. PPWSA has its own mechanism to manage NRW, which is similar to the practice recognized internationally. As a result, since 1993 NRW has decreased significantly from 72% to 5.85% in 2010. PPWSA will continue to study and research NRW management from other water supply authorities in the world.

The diagram below shows NRW levels of the cities in Asia from 1999 to 2009



* Source: ADB

2- Business strategies and future plan

a- PPWSA's mission and objectives are as follows:

- Invest, build, enlarge, operate, repair and maintain production devices, water distribution and sanitation system
- Abide by all measures to increase production and service, and to ensure the clean water quality to meet the demand for water consumption of household, commercial, service sector, and industrial customers
- Carry out other business-services and other necessary tasks related to potable water and hygiene in domestic and overseas markets in accordance with PPWSA's BOD resolutions and related laws.
- Implement the technical, commercial and financial cooperation with domestic and overseas development partners in order to expand and develop PPWSA in accordance with relevant policies.
- Ensure sustainable production, business and finance pertaining to social interests.

b- Major strategic goals of PPWSA are as follows:

- Expand water supply to Phnom Penh's suburban areas and surrounding regions at the same rate and standard as in Phnom Penh
- Drive staff efficiency and continue to build the organization's capabilities
- Analyze the drivers of cost and revise processes and procedures to reduce the cost of water
- Engage in strategic benchmarking against the most efficient water production organizations in the world
- Maintain a strong commitment to social responsibility

c- Future Plan

To achieve the above visions, PPWSA plans to do the following:

- Institutional and human resources development
- Facilities and equipment improvement
- Service and work efficiency indicator

The following goals/standards/objectives have been adopted:

- | | |
|---|----------------------------|
| • Potable Water Service Coverage in Phnom Penh: | 100% by 2020 |
| • Rate of Operation: | less than 40% |
| • Collection Rate: | not less than 99% |
| • NRW Rate: | 5% |
| • Average tariff for Water Consumption: | KHR 1,000/m ³ . |

3- Directors, senior officers and substantial shareholders

a- Members of the BOD

| No. | Name | Position at PPWSA |
|-----|---------------------|-------------------|
| 1 | H.E. Meng Saktheara | Chairman of BOD |
| 2 | H.E. Ek Sonn Chan | BOD Member |
| 3 | H.E. Iv Kheng | BOD Member |
| 4 | H.E. Chou Vichith | BOD Member |
| 5 | H.E. Song Heng | BOD Member |
| 6 | Mr. Long Naro | BOD Member |
| 7 | Mr. Nuon Someth | BOD Member |

b- Senior Officers

| No. | Name | Position at PPWSA |
|-----|----------------------|--|
| 1 | H.E. Ek Sonn Chan | Delegate of Cambodian Government in charge of Director General of PPWSA |
| 2 | Mr. Long Naro | Deputy Director General in charge of Technical Task and Head of Project Management Project Construction Chrouy Changva Stage II and Niroth Stage I |
| 3 | H.E. Neth Mony | State Controller |
| 4 | Mr. Ros Kim Leang | Deputy Director General in charge of Finance and Securities Market, and Head of Accounting and Finance Department |
| 5 | Mr. Keo Sovannarith | Deputy Director General in charge of Accounting and Finance |
| 6 | Mr. Chea Visoth | Deputy Director General in charge of BOD, Secretary and Training |
| 7 | Mr. Samreth Sovithia | Deputy Director General in charge of Investment, and Head of Planning & Project Department |
| 8 | Mr. Khuth Vuthiarith | Deputy Director General in charge of Administration and Human Resources |
| 9 | Mr. Sim Kheng Lin | Head of Commercial Department |
| 10 | Mrs. Roeun Nary | Head of Administration and Human Resources Department |
| 11 | Mr. Sem Bun Heng | Advisor to PPWSA as Assistant to Director General |

* **Note:** Mr. Chea Visoth, Mr. Ros Kimleang, Mr. Samreth Sovithia, and Mr. Khuth Vuthiarith were appointed as Deputy Director General by the resolution of BOD's meeting held on 29 December 2011.

c- Substantial Shareholder

(Unit: shares)

| Type of Shareholder | Name of Shareholder | Type of shares | Number of shares | Percentage Ownership |
|-------------------------|------------------------------|----------------|------------------|----------------------|
| The largest shareholder | State represented by the MEF | Ordinary | 73,927,187 | 100% |
| | | Class A | 391,100,942 | 100% |

4- Historical financial information

Condensed Balance Sheet

(Unit: KHR '000)

| | 30 September 2011 | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|
| Total assets | 834,226,376 | 746,097,282 | 688,071,781 | 655,103,135 |
| - Tangible assets | 833,297,735 | 745,100,481 | 687,323,168 | 654,370,801 |
| - Intangible assets | 928,641 | 996,801 | 748,613 | 732,334 |
| Total liabilities | 289,839,947 | 230,529,709 | 199,740,456 | 201,566,366 |
| Total shareholders' equity | 544,386,429 | 515,567,573 | 488,331,325 | 453,536,769 |
| - Capital | 465,028,129 | 456,000,264 | 456,000,264 | 408,963,236 |
| - Reserves | 56,516,674 | 29,060,957 | 5,397,331 | 20,137,299 |
| - Retained earnings | 22,841,626 | 30,506,352 | 26,933,730 | 24,436,234 |

* Source: Audited financial statements for the years ended 31 December 2008, 2009 and 2010 and the reviewed (unaudited) interim financial information for the nine-month period ended 30 September 2011.

Condensed Income Statement

(Unit: KHR '000)

| | 3Q 2011 | 2010 | 2009 | 2008 |
|-----------------------------|--------------|--------------|--------------|--------------|
| Revenue | 85,966,833 | 106,265,913 | 96,408,260 | 92,854,636 |
| Expenses | (57,883,377) | (70,036,453) | (63,611,218) | (60,953,431) |
| Operating profit | 28,083,456 | 36,229,460 | 32,797,042 | 31,901,205 |
| Finance income/ (cost) –net | 725,642 | 1,948,118 | 960,727 | (1,323,621) |
| Profit Before Income Tax | 28,809,098 | 38,177,578 | 33,757,769 | 30,577,584 |
| Income tax expense | (5,967,472) | (7,671,226) | (6,824,039) | (6,141,350) |
| Profit for the period/year | 22,841,626 | 30,506,352 | 26,933,730 | 24,436,234 |

* Source: Audited financial statements for the years ended 31 December 2008, 2009 and 2010 and the reviewed (unaudited) interim financial information for the nine-month period ended 30 September 2011.

5- Significant factors related to public issuance of equity securities

a- Legislative Framework

PPWSA was established under Anukret No.52 dated on 19 December 1996 in the form of a Public Establishment having Economic Vocation under the Public Enterprise Law. On 22 April 2011, the RGC issued Anukret No. 71 authorizing public enterprises such as PPWSA to issue and offer its shares to the public provided that PPWSA is registered at the MOC and is recognized as a permitted entity by obtaining the necessary approvals from the SECC and the CSX.

In contemplation of the IPO hereunder, PPWSA, by virtue of the letter from the MEF No. 3405 dated on 19 June 2009, has duly obtained an approval from the RGC authorizing PPWSA to do an IPO and is currently recognized as a permitted entity under the SECC Regulations that can issue its shares to the public and have them listed on the CSX.

After the IPO, the offered ordinary shares of PPWSA will be held by the public investors whereas the existing ordinary shares and 100% of Class A shares will be held by the RGC represented by the MEF.

Under the existing Cambodian legislative framework, the rights of shareholders in a public enterprise such as PPWSA have different characteristics from those of shareholders in a public limited company that is recognized under the Law on the Commercial Enterprises (see Section 2: Details of Public Offering, 9-b-12-Description of equity securities for a description of equity securities to be issued by PPWSA in this IPO and a discussion on the rights attached thereto).

b- General Information on Offered Shares

PPWSA, through TONGYANG Securities (Cambodia) Plc. as its Underwriter, is offering 13,045,975 new ordinary shares with a par value of KHR 1,000 per share and such shares are being offered in Cambodia pursuant to the SECC Regulations.

Offering Term

| | |
|---------------------------------|--|
| Class of Offered Shares | Ordinary Shares |
| Type of Offering | Newly issued shares |
| Number of Offered Shares | 13,045,975 ordinary shares |
| Par Value | KHR 1,000 |
| Offering Price | KHR 6,300 |
| Offering Amount | KHR 82,189,642,500 |
| Term of Payment | Full payment of securities subscription deposit upon application which is equivalent to 100% of subscription amount. |

| | |
|-----------------------------|---|
| Minimum Subscription | 100 shares (provided, however, that if the pre-calculated number of shares allocated to a certain Successful Investor is less than 100 shares, this minimum requirement shall not prevent such Successful Investor from subscribing the aforementioned pre-calculated number of shares) |
| Timetable | <p>The subscription period will commence from 8:00 am on 29 March 2012 and end at 5:00 pm on 4 April 2012, unless such period is shortened or extended by an agreement between PPWSA and the Underwriter subject to the approval of the SECC.</p> <p>The date for the allotment will be 6 April 2012 and the payment date will be 6 April 2012 (the "Payment Date").</p> <p>The excess amount (if any) will be returned to the corresponding subscribers on the Payment Date.</p> |

In accordance with Article 37 of the Prakas No. 001 promulgated by the SECC, at least 20% of the total offered shares need to be allotted to Cambodian Investors in subscription unless otherwise instructed and approved by the SECC. For the avoidance of doubt, a Cambodian Investor refers to a natural person having Cambodian nationality or a legal entity in which no less than 51% of its total share capital is owned by a person or persons having Cambodian nationality.

6- Use of proceeds

PPWSA expects that its net proceeds from the issuance will be approximately KHR 75.6 billion based on the offering price and intends to use the net proceeds of this offering to partly and/or fully repay its loans, fund CAPEX for transmission and pipe expansion, fund construction of water towers investments in WTPs, and other general corporate purposes of PPWSA.

Until PPWSA uses all of its net proceeds from the IPO as described above, PPWSA intends to deposit any remaining net proceeds to any appropriate deposit accounts at financial institutions, or invest them in short term securities.

7- Risk factors

a- Interest rate risks

PPWSA is exposed to interest rate risk, related to the floating rate that applies to its long-term borrowings which is an amortizing loan from the AFD, under the Credit Facility Agreement No. CKH 1075 03S in the amount of KHR 86,240,000,000 (EUR 16,000,000) with a semi-annual coupon rate of 6-month EURIBOR rate minus 1.35%.

PPWSA is also exposed to interest rate risk on its short-term deposits at commercial banks, arising from fluctuation of the interest rate.

b- Exchange rate risks

PPWSA is exposed to exchange rate risk because of the fact that PPWSA's revenues are in Khmer Riel while some of its expenses are in foreign currencies such as expense on equipment and raw materials, as well as repayment of loans that need to be denominated in foreign currency.

c- Industry risks

There are 4 main risks related to the industry risks:

- Dependence on major customers, particularly the garment sector which is negatively affected by the global economic downturn.
- Decrease in GDP per capita which may affect the average standard of living as well as the level of water consumption.
- Decrease in Phnom Penh's population which may lead to decrease in water consumption.
- Expansion of business coverage area requiring large capital expenditures, which may result in reduction of margins.

d- Operational risks

There are 5 main risks related to the operational risks:

- PPWSA's operation requires significant consumption of electricity supplied by only one supplier (EDC).
- Changing the suppliers of Chlorine to those in Vietnam with higher prices due to the border dispute between Thailand and Cambodia.
- Water levels at source-rivers may decrease, which may affect the quantity of water intake for water treatment and result in consumption of more electricity.
- The water source may be polluted, and the quantity of supplied water may be affected by the leakage in the distribution system, blackouts or other technical failures.
- Materials, equipment, management system and other production devices may be lost, damaged or become inefficient as a result of natural disasters, accidents and actions of third parties.

e- Non-operational risks

There are 2 main risks related to the non-operational risks:

- Some issues relating to corporate governance such as the composition of the BOD and the management, and the appointment of senior officers.
- The provision of loans to the EDC and the Pursat Water Supply Authority.

f- Financial risks including default risks and cash liquidity risks

There are 3 main risks related to financial risks including default risks and cash liquidity risks:

- Financial position of PPWSA may be deteriorated if its production costs continue to rise, while it is unable to obtain approval for a tariff increase.
- PPWSA requires substantial capital in order to fund its proposed investments in water treatment, transmission and distribution infrastructure.
- PPWSA has deposited or extended loans to certain counterparties, whose defaults could adversely affect PPWSA's financial position.

g- Litigation risks and contingent liabilities

- The discharge of sludge from the WTPs may incur substantial incremental capital expense and/or operating costs in order to address this issue.
- PPWSA may receive an adverse tax reassessment in respect of FY 2008 and onwards.

h- Market related risks

There are no main risks in terms of market competition because PPWSA is operating as a monopoly water supplier in its market in Phnom Penh and its peripheral areas.

i- Technology related risks

There is a main risk related to Navision Version 4.0 for managing and running accounting systems and printing bills which have not been upgraded.

j- Risks related to rules and regulations

There are 5 main risks related to rules and regulations:

- The introduction of new sub decrees on the determination of the pollutants and technical standards for the treatment of discharge may compel PPWSA to obtain licenses.
- The ownership of immovable property under the applicable laws and regulations including the newly promulgated Prakas in contemplation of the public offering of public enterprises. The provisions of sub-decree no.52 on the establishment of PPWSA seem contradictory to the sub-decree no.129 on the conversion of State public properties into State private properties, and the sub-decree no.118 on the management of State land. This contradiction may limit the rights of PPWSA from disposing the properties contained in its inventory.
- After the IPO, the Labor Laws may be more strictly enforced against PPWSA.
- From January 2012 onwards, PPWSA will start adopting CIFRS, which may adversely affect PPWSA's financial statement, operating position and financial position.
- Potential obligation to comply with the corporate disclosure requirements of the SECC

k- Risks related to changes in national and international contexts

There are 2 main risks related to changes in national and international contexts:

- Border dispute between Cambodia and Thailand may adversely affect the financial markets and the price of PPWSA's shares listed on the CSX.
- Disruptions in global credit and financial markets and uncertainty in global economic prospects may have adverse effects on the garment factories, hotels and private sectors, among others, and these may negatively affect their ability to pay the water bill and volume of water consumption.

l- Risks related to investments in the securities

There are 7 main risks related to investment in securities:

- Risks of being the first entity to publicly issue shares in Cambodia.
- Risks in relation to the operations or settlement of the CSX, having been newly established.
- Risks in relation to limitation of investors' ability to trade at the desired price or time due to determination of daily maximum price fluctuation.
- The free-float of PPWSA is small, which may make the market inactive and illiquid.
- Laws and regulations related to PPWSA and securities in Cambodia have not been fully developed, exposing investors to legal uncertainty in certain circumstances.
- Investors who wish to trade PPWSA's shares in USD will be exposed to exchange rate fluctuations.
- The interests of the controlling shareholder, PPWSA, and minority shareholders may diverge.

m- Other risks

There are no materials risks other than those described above.

8- Dividend policy

In accordance with the resolution of the BOD dated on 15 February 2012 and approval from the MEF in its capacity as the Financial Guardian of PPWSA, the dividend policy shall be determined in line with the principle of profit allocation as follows:

- 1) Compensation for loss(es) incurred in previous years
- 2) After the compensation for loss, the remaining profit, if any, shall be distributed in the following manner:
 - a) Reward to management and employees
 - i. If the remaining profit accounts for **5% to 10%** of the operating expenses of PPWSA, the reward shall equal to the amount of **one month** of net salary of the management and each employee.
 - ii. If the remaining profit accounts for **11% to 20%** of the operating expenses of PPWSA, the reward shall equal to the amount of **two months** of net salary of the management and each employee.
 - iii. If the remaining profit accounts for **21% or more** of the operating expenses of PPWSA, the reward shall equal to the amount of **three months** of net salary of the management and each employee.
 - b) 2% for Retirement Benefits.
 - c) 5% for Legal Reserve
 - d) 5% for Free Reserve
 - e) 5% for Social Fund which shall be recorded as expenses in the year of transaction
- 3) Any remaining amount following the above distribution shall be allocated to a reserve and/or distributed as dividend to ordinary shareholders as determined by the BOD.

SECTION 2: DETAILS OF PUBLIC OFFERING

1- General information of the Company

| | | | |
|-----------------------------|---|------------|------------------------------|
| Name of the Company | Phnom Penh Water Supply Authority | | |
| Address | #45, Street 106, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Cambodia | | |
| Phone number | +855 (0)23 724 046 | Fax number | +855 (0)23 426 220 |
| Website | www.ppwsa.com.kh | E-mail | sx.relationship@ppwsa.com.kh |
| Company registration number | N/A | Date | N/A |
| License number | Anukret No. 52 | Date | 19 December 1996 |

2- Information of the Underwriter(s)

a- General information of the Underwriter

| | | | |
|-----------------------------|---|------------|--------------------|
| Name of the Company | TONGYANG Securities (Cambodia) Plc. | | |
| Address | #138, 2F Paragon, Norodom Blvd., Phnom Penh, Cambodia | | |
| Phone number | +855 (0)23 860 800 | Fax number | +855 (0)23 224 126 |
| Website | N/A | E-mail | kt.han@tysasia.com |
| Company registration number | 1001 issued by Ministry of Commerce | Date | 24 February 2010 |
| License number | 001 SECC/K.T issued by SECC | Date | 20 October 2011 |

b- Co-underwriter

- N/A

c- Underwriting agreement

Summary of the Firm Commitment Underwriting Agreement

The Preliminary Firm Commitment Underwriting Agreement was entered into on 28 February 2012 and subsequently, the Amendment to the Firm Commitment Underwriting Agreement was entered into on 19 March 2012 (collectively, hereinafter referred to as the “Underwriting Agreement”).

The following is a brief summary of the Underwriting Agreement and does not fully convey all of the material contents contained in the same. Unless otherwise stated, capitalized terms used in the summary below shall have the same meaning as those used in the full version of the Underwriting Agreement.

I. Underwriting

Subject to the SECC and CSX granting the listing of, and permission to deal in, the Shares in issue, and subject to the fulfillment of the conditions stipulated in the Underwriting Agreement and any subsequent supplements and amendments thereto, and in reliance on the covenants, representations and warranties provided to it by PPWSA, the Underwriter has agreed to subscribe to or procure subscribers for the Shares which are not taken up by the Investor Group (as set out below) by the date on which the Subscription Period ends.

| Investor Group | Allotted Amount | Allotment Ratio |
|---------------------------|------------------------|------------------------|
| ESOP | 1,304,598 Shares | 10% |
| Successful Investors..... | 8,218,964 Shares | 63% |
| Other Investors..... | 3,522,413 Shares | 27% |
| Total | 13,045,975 Shares | 100% |

II. Grounds for Termination

The obligations of the Underwriter to subscribe to or procure subscribers for the Shares shall terminate at the discretion of the Underwriter, by sending a written notice of termination to PPWSA, if any of the following events occurs, in the opinion of the Underwriter, after the execution of the Underwriting Agreement and prior to the Closing Date:

- (1) if PPWSA breaches any term of the Underwriting Agreement which makes the offering of the Shares impossible or materially difficult;
- (2) if any change is made in Cambodia, or international financial, political or economic conditions or currency exchange rates or exchange controls as to make it in the judgment of the Underwriter, impracticable or inadvisable to proceed with the completion of the Public Offering or sale of and payment for the Shares;
- (3) if any material suspension or material limitation of trading in securities generally on the CSX is made, or any suspension of trading of any securities on any exchange or in the over-the-counter market is made;
- (4) if any banking moratorium is declared by a competent authority of Cambodia;
- (5) if any major disruption of settlements of securities or clearance services in or in relation to Cambodia occurs;
- (6) if any attack on, outbreak or escalation of hostilities or act of terrorism, any declaration of war or any other national or international calamity or emergency occurs and if any, in the judgment of the Underwriter, the effect of any such attack, outbreak, escalation, act, declaration, calamity or emergency makes it impractical

or inadvisable to proceed with completion of the Public Offering or sale of and payment for the Shares occurs;

- (7) if a change in Cambodian taxation materially adversely affecting the PPWSA, the Shares or its transfers is made;
- (8) if a change occurs or is expected to occur that may now or in the foreseeable future adversely affect the PPWSA's profits, business activities or business prospects from a financial, business or legal perspective regardless of the fact whether it has occurred in the course of normal day to day operations of the PPWSA's business; or
- (9) if PPWSA refuses, breaches or fails to fulfill any of its material obligations, covenants, representations and warranties under the Underwriting Agreement and it is unlikely, in the reasonable opinion of the Underwriter, that such refusal, breach or failure be cured or remedied in full prior to the Closing Date.

d- Underwriter's benefits in the company:

- The Underwriter as of the date of this Disclosure Document does not have any shareholding interest or any other form of beneficial interest in and with respect to PPWSA.

3- Percentage of public floats and lock-up

| | Shareholder Type | Pre-IPO | | Post-IPO | | Remarks |
|-------------|--|------------------|----------------------|------------------|----------------------|---------|
| | | Number of shares | Percentage Ownership | Number of shares | Percentage Ownership | |
| Lock-up | State represented by the MEF (The Largest) | 73,927,187 | 100.0% | 73,927,187 | 85.0% | 1 year |
| | ESOP | - | - | 1,304,598 | 1.5% | 3 years |
| | Subtotal | 73,927,187 | 100.0% | 75,231,785 | 86.5% | |
| Free-Floats | Public Investors | - | - | 11,741,377 | 13.5% | |
| | Subtotal | - | - | 11,741,377 | 13.5% | |
| Total | | 73,927,187 | 100.0% | 86,973,162 | 100.0% | |

* **Note:** Pursuant to the resolution of the BOD on 15th of February 2012, PPWSA shall reserve 10% of IPO shares for employees as rewards in order to strengthen the alignment of interest between the employees and PPWSA. Accordingly, PPWSA has established the policy on ESOP as follows:

1. All officers and employees who have been working for PPWSA for at least 12 months shall have the right to purchase the shares in PPWSA up to their respective entitlements as prescribed under paragraph 3 below.
2. All shares purchased by all officers and employees under the ESOP shall be subject to a 3 year-lock-up period.
3. All officers and employees at operational and executive levels are eligible to purchase shares in the IPO up to an amount equivalent to 18 months' of their respective salary excluding tax. The senior officers from the

rank of Head of a Department to a Director of PPWSA are eligible to purchase shares in the IPO up to an amount equivalent to 30 months' of their respective salary excluding tax.

4. PPWSA may provide to each of the employees and senior staffs a loan with the zero interest rate for a term of 3 years to purchase the shares in PPWSA up to their respective entitlements as prescribed under paragraph 3 above. At the maturity date, all employees and senior staffs shall repay the loan to PPWSA in full.

Information on lock-up such as the name of shareholders, the number of shares and lock-up period

(Unit: shares)

| Name of Shareholder | Identification Number (Registration Number) | Shareholding | Number of Lock-up shares | Lock-up period |
|---------------------------------|--|--------------|-----------------------------|-------------------|
| State represented by the MEF | - | 73,927,187 | 73,927,187 | 1 year |
| ESOP | - | 1,304,598 | 1,304,598 | 3 years |

4- The information of professional accounting firms and external auditors

a- Professional accounting firms

| | | | |
|--|--|------------|-------------------------------|
| Name of the Company | PricewaterhouseCoopers (Cambodia) Ltd. | | |
| Address | #35, Phreah Sihanouk Blvd., Sangkat Tonle Basac, Khan Chamkarmon, Phnom Penh, Cambodia | | |
| Phone number | +855 (0)23 218 086 | Fax number | +855 (0)23 211 594 |
| Website | www.pwc.com/kh | E-mail | contactus.cambodia@kh.pwc.com |
| Company Registration number | Co. 5966E/2009 issued by MoC | Date | 10 July 2009 |
| License number | 0002-CP issued by KICPAA | Date | 13 January 2005 |
| Registration number accredited by SECC | 001 SECC/AF | Date | 09 February 2011 |

b- External Auditors

| | | | |
|--|--|------------|---------------------|
| Name of external auditors | Mr. Kuy Lim | | |
| Address | #35, Phreah Sihanouk Blvd., Sangkat Tonle Basac, Khan Chamkarmon, Phnom Penh, Cambodia | | |
| Phone number | +855 (0) 23 218 086 (ext.1014) | Fax number | +855 (0) 23 211 594 |
| Website | N/A | E-mail | kuy.lim@kh.pwc.com |
| KICPAA membership number | 0004-IP | Date | 25 April 2003 |
| Registration number accredited by SECC | 001 SECC/EA | Date | 09 February 2011 |

5- The information of asset valuation company and independent valuers

a- Asset valuation company

| | | | |
|-----------------------------|--|------------|------------------------|
| Name of the Company | Vtrust property | | |
| Address | #113ParkwaySquare Mao Tse Toung Blvd, Phnom Penh, Cambodia | | |
| Phone number | +855 (0) 12 944 191 | Fax number | +855 (0) 12 944 191 |
| Website | www.vtrustproperty.com | E-mail | vtp@vtrustproperty.com |
| Company Registration number | Co. 6982KH/2004 | Date | 01 July 2011 |
| License number | 077 | Date | 27 August 2011 |
| Registration number | 001 accredited by SECC | Date | 04 May 2011 |

b- Independent valuer

| | | | |
|-----------------------------|--|------------|---------------------------|
| Name of the valuer | Mr. Chrek Soknim | | |
| Address | #113 (Parkway Square), Mao Tse Tong Boulevard, Sangkat Toul Svay Prey I, Khan Chamkarmorn, Phnom Penh, Kingdom of Cambodia | | |
| Phone number | +855 (0) 12 613 567 | Fax number | +855 (0) 23 944 191 |
| Website | N/A | E-mail | soknim@vtrustproperty.com |
| Company Registration number | Co. 6982KH/2004 | Date | 01 July 2011 |
| License number | 005 licensed by MEF | Date | 19 January 2011 |
| Registration number | 001 accredited by SECC | Date | 04 May 2011 |

6- The information of lawyers

| | | | |
|---------------------------------|---|------------|---------------------|
| Name of Company | HBS Law | | |
| Name of Lawer | Mr. Ly Tayseng | | |
| Address | Levels 4&5, Soma Tower, Street 120, Sangkat Psar Thmey II, Khan Daun Penh, Phnom Penh, Cambodia | | |
| Phone number | +855 (0) 23 224 337 | Fax number | +855 (0) 23 224 136 |
| Website | www.hbs.com.kh | E-mail | info@hbs.com.kh |
| Professional certificate number | No. 709K.M./2005 | Date | 12 September 2005 |
| Registration number | No. 037/11SECC/S.S.R | Date | 06 December 2011 |

7- The information of consultants

- N/A

8- All expenses related to public issuance of equity securities

a- Underwriter fees

- PPWSA pays USD 1,227,114 (KHR 4,909,682,125)
 - * Based on current exchange rate of KHR 4,001/USD

b- Registration of disclosure document fees with SECC

- KHR 12,000,000

c- Listing fees

- KHR 4,000,000 for listing eligibility review
- KHR 547,930,921 for the initial listing fee

d- Printing and advertising disclosure document fees

- Printing: KHR 155,046,240
- Advertisement: USD 5,000 (KHR 20,005,000)
 - * Based on current exchange rate of KHR 4,001/USD

e- Others

The following expenses are subject to supplementary disclosure:

- Depository fee: KHR 26,971,631
- Securities Registrar fee: KHR 10,585,712
- Legal advisory fee: USD 44,706 (KHR 178,868,706)
 - * Based on current exchange rate of KHR 4,001/USD
- Audit and accounting advisory fee: USD 145,580 (KHR 582,465,580)
 - * Based on current exchange rate of KHR 4,001/USD
- Asset valuation fee: KHR133,749,000

9- Description of equity securities being offered

a- Number of Shares

(Unit: shares)

| | Ordinary Shares | Class A Shares |
|---------------------|-----------------|----------------|
| Authorized shares | - | - |
| Total issued shares | 73,927,187 | 391,100,942 |

b- Offering terms

(Unit: shares, KHR)

| Class | Ordinary Shares | Type of Offering | New Issue |
|----------------------------|-----------------|------------------|-----------|
| Number of Offering Shares | 13,045,975 | Par Value | 1,000 |
| Total Amounts of Par Value | 13,045,975,000 | Offering Price | 6,300 |
| Offering Amounts | 82,189,642,500 | Premium | 530% |

b-1- Name of equity securities: Ordinary share of PPWSA**b-2- Class of equity securities:** Ordinary shares**b-3- Par value per equity securities:** KHR 1,000**b-4- Selling price per equity securities:** KHR 6,300**b-5- Total quantity of equity securities being offered:** 13,045,975 ordinary shares**b-6- Total value of equity securities being offered:** KHR 82,189,642,500**b-7- Opening date of subscription:** From 8:00 am on 29 March 2012**b-8- Closing date of subscription:** To 5:00 pm on 4 April 2012**b-9- Subscription place:** Designated branch offices of ACLEDA Bank and ACLEDA Securities, the Selling Agent for the Underwriter**ACLEDA Bank's address**

| No. | OFFICE NAME | Type | Address | Tel/Fax/E-mail |
|---|--------------------------|-------------|---|---|
| A- HEADQUARTERS AND BRANCHES AROUND PHNOM PENH | | | | |
| 1 | HEADQUARTERS | HQ (OPD) | #61, Preah Monivong Blvd., Sangkat Srah Chork, Khan Daun Penh, Phnom Penh. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-23-430 999 / 998 777 Fax: (855)-23-430 555 / 998 666 E-mail: acledabank@acledabank.com.kh For Customer Inquiry call: (855)-23-994 444 (855)-15-999 233 E-mail: inquiry@acledabank.com.kh <u>OPERATION DIVISION</u> Tel: (855)-23-998 357 (855)-15-900 444 E-mail: operation@acledabank.com.kh |
| 2 | PHNOM PENH BRANCH | PO | #29, Street 217, Sangkat Veal Vong, Khan 7 Makara, Phnom Penh. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-23-997 169 / 179 / 189 (855)-15-900 342 (855)-23-881 465/224 Fax: (855)-23-997 170 / 180 E-mail: pnp@acledabank.com.kh |

| No. | OFFICE NAME | Type | Address | Tel/Fax/E-mail |
|-----|----------------------------------|------|--|--|
| 3 | DAUN PENH BRANCH | DB | #248, Preah Monivong Blvd.(Street 93), Sangkat Boeung Raing, Khan Daun Penh, Phnom Penh. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-23-222 626 / 222 424 (855)-23-224 545 (855)-15-900 254 Fax: (855)-23-223 670/ 220 522 E-mail: dpn@acledabank.com.kh |
| 4 | DANGKOR BRANCH | DB | #46, Group 1, Paprak Khang Tbong Village, Sangkat KaKab, Khan Dangkor, Phnom Penh. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-23-890 490 / 468 (855)-12-968 295 (855)-15-900 252 Fax: (855)-23-890 130 / 017 E-mail: dkr@acledabank.com.kh |
| 5 | RUSSEY KEO I BRANCH | DB | #482, Group 6, Phum Spean Khpous , Sangkat Kilometre No.6, Khan Russey Keo, Phnom Penh. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-23-430 673 / 427 668 (855)-15-900 370 Fax : (855)-23-430 645 E-mail: rsk1@acledabank.com.kh |
| 6 | RUSSEY KEO II BRANCH | DB | #A06, A07, A08, A09, Group 8, Phum 3, Sangkat Chruoy Chang Var, Khan Russey Keo, Phnom Penh. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel : (855)-23-430 527 / 779 (855)-15-900 372 Fax : (855)-23-430 537 / 669 E-mail : rsk2@acledabank.com.kh |
| 7 | MEANCHEY BRANCH | DB | #38, National Road No. 1, Group 3, Phum Doeum Ampil, Sangkat Chbar Ampeou I, Khan Meanchey, Phnom Penh. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-23-720 633 / 997 277 (855)-12-900 315 Fax: (855)-23-720 414/994 094 E-mail: mch@acledabank.com.kh |
| 8 | BEUNG TRABEK BRANCH | DB | #28, Mao Tse Tung Blvd., Sankat Beung Trabek, Khan Chamcarmon, Phnom Penh. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-23-214 634 / 993 780/364 619 (855)-15-900 242 Fax: (855)-23-364 914 / 721 760 (855)-23-996 594/966 585 E-mail: btrckm@acledabank.com.kh |
| 9 | STEUNG MEANCHEY BRANCH | DB | #235, Monireth Blvd.(217), Group 51, Phum 17, Sangkat Beung Salang ,khan Tuol Kork, Phnom Penh. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-23-883 013 / 883 014 (855)-23-997 910 / 997 911 Fax: (855)-23-883 061 / 997 912 E-mail: smc@acledabank.com.kh |
| 10 | STEUNG MEANCHEY II BRANCH | DB | #A1-A4, Monireth Blvd, Trea Village(217), Sangkat Steung Meanchey, Khan Meanchey, Phnom Penh, Cambodia. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-23-995 322 /562 Fax: (855)-23-995 402/ 426 /436 E-mail: smc2@acledabank.com.kh |
| 11 | CHOM CHAO BRANCH | DB | # 142-143, National Road 4, Group3, Preychisak Village, Sangkat Chom Chao, Khan Dangkor, Phnom Penh. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-23-866 107 / 132 / 125 Fax: (855)-23-866 126 / 865 165 E-mail: chc@acledabank.com.kh E-mail: chc@acledabank.com.kh |
| 12 | TUOL KORK BRANCH | DB | #99C5 + 101A1 +101A2 +101A3 +101A4 Street 289, Sangkat Boeng Kak01, Khan Tuol Kork, Phnom Penh. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-23-990 550 / 551 (855)-15-800 218 Fax: (855)-23-990 561 / 562 E-mail: tkk@acledabank.com.kh |

| No. | OFFICE NAME | Type | Address | Tel/Fax/E-mail |
|---|---------------------------------------|------|---|--|
| 13 | PHSAR DOEM THKAUV BRANCH | DB | #606, Street 271, Group 37, Phum 6, Sangkat Phsar Doem Thkauv, Khan Chamkar Mon, Phnom Penh. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-23-993 575 / 585 Fax : (855)-23-993 663 / 779 / 949 E-mail: pdt@acledabank.com.kh |
| 14 | KANDAL BRANCH | PO | No.15, National Road No. 2, Group 02, Takhmao Village, Sangkat Takhmao, Takhmao Municipality, Kandal Province. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-23-425 623 / 425 995 (855)-15-900 265 Fax:(855)-23-425 691 (855)-23-425 335 E-mail: tkm@acledabank.com.kh |
| B- BRANCHES AROUND SIEM REAP PROVINCE | | | | |
| 01 | SIEM REAP BRANCH | PO | #1, 2, 3 & 4, Sivatha Street ,Mondul 2 Village, Sangkat Svay Dangkum, Siem Reap Municipality, Siem Reap Province. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-63-963 660 / 963 251 (855)-15-900 396 Fax: (855)-63-963 280 / 966 070 E-mail: srp@acledabank.com.kh |
| 02 | SIEM REAP MUNICIPALITY BRANCH | MB | #006, National Road No. 6, Group 7, Salakanseng Village, Sangkat Svay Dangkum, Siem Reap Municipality, Siem Reap Province. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-63-965 646 / 965 649 (855)-15-800 691 Fax: (855)-63-964 950 E-mail: srp.mb@acledabank.com.kh |
| 03 | PHSAR LEU MUNICIPALITY BRANCH | MB | #0381, National Road No. 6, Group 8, Chongkavsou Village, Sangkat Slarkram, Siem Reap Municipality, Siem Reap Province. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-63-967 299 (855)-63-967 298 (855)-15-600 498 Fax: (855)-63-967 297 E-mail: phl@acledabank.com.kh |
| C- BRANCHES AROUND BATTAMBANG PROVINCE | | | | |
| 01 | BATTAMBANG BRANCH | PO | Kamakar Village, Sangkat Svay Por, Battambang Municipality, Battambang Province. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-53-953 171 / 172 / 174 / 175 (855)-15-900 229 Fax: (855)-53-953 173 / 176 E-mail: btb@acledabank.com.kh |
| 02 | BATTAMBANG MUNICIPALITY BRANCH | MB | #602, National Road No 5, Group 13, Rumchek 4 Village, Sangkat Rottanak, Battambang Municipality, Battambang Province. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel:(855)-53-953 153 (855)-53-952 054 (855)-53-952 055 Fax: (855)-53-952 051 E-mail: btb.mb@acledabank.com.kh |
| D- BRANCH IN KAMPONG CHAM PROVINCE | | | | |
| 01 | KAMPONG CHAM BRANCH | PO | #18, National Road No.7,Village 6, Sangkat Veal Vong, Kampong Cham Municipality, Kampong Cham Province. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-42-941 703 / 941 708 (855)-15-900 264 Fax: (855)-42-941 702 / 941 707 E-mail: kcm@acledabank.com.kh |

| No. | OFFICE NAME | Type | Address | Tel/Fax/E-mail |
|---------------------------------------|--------------------------|------|---|--|
| E- BRANCH IN SIHANOUK PROVINCE | | | | |
| 01 | SIHANOUK BRANCH | PO | #135, Street Ekareach , Phum 1, Sangkat 2, Sihanouk Municipality, Sihanouk Province. P.O. Box: 1149 Website: www.acledabank.com.kh SWIFT Code: ACLBKHPP | Tel: (855)-34-933 723 (855)-34-934 135 (855)-15-900 382 Fax: (855)-34-933 923 E-mail: snv@acledabank.com.kh |
| F- ACLEDA Securities Plc. | | | | |
| 01 | PHNOM PENH BRANCH | PO | #632, St.70, Sangkat Toul Sangke Khan Russey Keo, Phnom Penh, Website: www.acledasecurities.com.kh | Tel: (855)-23 723 388 Fax: (855)-34 723 377 E-mail: info@acledasecurities.com.kh |

b-10- Allotment / settlement / refund date: 6 April 2012

b-11- Allotment criteria:

The allotment criteria are prescribed under the Guideline on Book Building and Subscription of Equity Securities of SECC. 70% of the total issued shares after the allotment to ESOP of PPWSA will be reserved for the Book Building. The remaining 30% shall be allotted on the pro-rata basis to the unsuccessful investors and the investors who do not participate in the Book Building. The percentage of the offered shares that are initially allocated to ESOP, successful investors and other investors shall be 10%, 63% and 27% respectively.

In compliance with the Guideline on Book-Building and Subscription on Equity Securities promulgated by SECC, the basic principle for allotment is to distribute shares to all groups on Pro-Rata basis subject to the actual result of the subscription.

For successful investors, several steps will be applied taking into account of pre-calculated number of shares to each successful investor, book-building deposit and diversification requirement by CSX in Article 12 of the Listing Rules (Quantitative Requirements) as follows:

- Successful investors should be informed of pre-calculated number of shares following registration. They are entitled to receive pre-calculated number of shares if they subscribe for more than pre-calculated number of shares. The number of subscribed shares that is exceeding pre-calculated number of shares will compete with other successful investors' excess amounts for any unsubscribed shares within 70 percent portion reserved for successful investors.
- Even if some of successful investors subscribe less than 10 percent of total shares that were bid during the book-building process ("bidding shares"), 10 percent of such shares shall be allotted to those investors regardless of his/her intention to subscribe for those shares. Pursuant to paragraph 12 of the Guideline on Book-Building and Subscription on Equity Securities, successful investors who have subscribed less than 10 percent of bidding shares can withdraw book-building deposit only if the sum of shares that have been subscribed by all successful investors exceeds 63% of shares offered to successful investors.

- The diversification requirement under the Listing Rules requires two conditions unless there is other determination made by the Director General of the SECC:
 - a) Number of Less-than-1% shareholders: The number of Less-than-1% shareholders holding 10 (ten) shares or more shall be at least 200 (two hundred) as of the date of completion of the official listing procedures
 - b) Shares held by Less-than-1% shareholders: The number of common shares owned by Less-than-1% shareholders shall be more than 200,000 (two hundred thousand) or 15% of the total outstanding common shares, whichever is larger.
- Given that the size of offering is equivalent to 15% of the amounts offered by PPWSA, investors may not be able to receive more than 1% of total outstanding common shares due to the diversification requirement of Listing Rules above. SECC will decide whether PPWSA can be exempt from this requirement in light of the result of the subscription.
- In case the successful investors subscribe for a quantity of equity securities in excess to the quantity of equity securities that has been reserved for the successful investors from the Book Building, the SECC may exercise its discretion to allot successful investors with any additional quantity of equity securities that has been oversubscribed by the successful investors provided that such additional quantity does not exceed 2/3 of the total quantity of equity securities that has initially been reserved for other investors including the unsuccessful investors and the investors who did not participate in the Book Building process.
- All investors are eligible to participate in Book Building without limitation except for the following
 - a) Related parties to PPWSA or TYSC in compliance with 'the annex to the Law on the Issuance and Trading of Non-government Securities' as well as 'article 2 of Prakas on Licensing of Securities Firms and Securities Representatives'
 - b) Parties related to IPO including their employees who serve PPWSA or TYSC for this IPO
 - c) Investors who have been considered as unfaithful by TYSC for following reasons during 1 year sanction imposed by TYSC to such investors(Not applicable to this IPO)
 - * Successful Investors who have quoted price that is equal to or higher than the offering price in the previous book-building but failed to subscribe up to pre-calculated number of shares
 - * Investors who have engaged in the book-building with fraudulent information
 - * Other investors deemed as Unfaithful Investors by disturbing IPO transactions in the past.

In accordance with Article 37 of the Prakas No. 001 promulgated by the SECC, at least 20% of the total offered shares need to be allotted to Cambodian Investors in subscription unless otherwise instructed and approved by the SECC.

In light of the foregoing and pursuant to the instructions from the SECC, 10% of the total offered shares for ESOP are not considered as an allotment to Cambodian Investors. Hence, out of 63% of the total offered shares reserved for Successful Investors, 20% of such shares are allotted to Cambodian Investors and then the other remaining 80% are allotted to both Cambodian Investors and Non-Cambodian Investors on a pro rata basis (please see 12-Allotment plan of equity securities, SECTION 2 of this Disclosure Document).

b-12- Description of equity securities:

b-12-1- General information on offered equity securities

Under PPWSA's AOI as of the date hereof, the total registered initial capital amounts to KHR 465,028,129,000. PPWSA has 465,028,129 shares issued in total, which consist of 73,927,187 ordinary shares with a par value of KHR 1,000 per share and 391,100,942 Class A shares with a par value of KHR 1,000 per share.

According to Article 38 of the Prakas No. 001 of SECC, PPWSA has the option to decide whether or not to issue share certificates to the subscribers. In this public offering, PPWSA does not issue the share certificates.

b-12-2- Dividends Right

Before the IPO, PPWSA was solely owned by the State represented by the MEF. The distribution of dividends has not yet occurred although PPWSA has allocated 10% of its net profits as a contribution to the government budget in accordance with the Letter No. 2254 issued by the MEF on 2 May 2008 (the "Letter No. 2254"). In fact, from a legal perspective, it is not clear whether such allocation can be regarded as distribution of dividends to the State represented by the MEF in its capacity as PPWSA's shareholder. Moreover, the provisions relating to dividends in the previous AOI are not clear on such issue.

After the IPO, PPWSA will distribute the dividend to the holders of ordinary shares in accordance with the dividend policy under Section 1: 8-Divided policy. On the other hand, the holder of Class A Shares has no right of dividends.

PPWSA shall distribute dividends to the holders of ordinary shares including private shareholders and public shareholders in proportion to the number of ordinary shares held by each holder. The dividend, the dividend rate, the amount of dividend rate per share will be declared at the meeting of the BOD, in compliance with the AOI and the applicable laws.

Any decision relating to payment of dividends will be subject to a number of factors including cash requirements for future capital expenditures and investments, and other factors which PPWSA's BOD deems relevant.

PPWSA shall declare the dividend on an annual basis, through a resolution of General Meeting of the BOD which is held normally within three (3) months after the end of each fiscal year. PPWSA will be entitled to distribute its dividends in cash or in shares. Concurrently with the declaration of the dividend, a record date in relation to the dividends will be set. The record date will be on the close of business on the day PPWSA elects to close its share register to determine which shareholders are entitled to receive the dividend that has been declared. The ex-dividend date will be one business day before the record date. To be entitled to the dividend, a shareholder must purchase the shares before the ex-dividend date. If shares are purchased on or after the ex-dividend date, the previous owner of the shares is entitled to the dividend.

b-12-3- Redemption of Shares

Under the Law on Commercial Enterprises as of the date hereof, a public limited company may issue shares, part or all of which may be redeemable at its option or at the option of the holders, on such terms and in such manner as may be determined by its BOD, without further shareholders' approval. If shares are redeemed, the shareholder must surrender them to PPWSA, in return for payment of the redemption price. If a shareholder fails to do so, PPWSA may deposit the value of the redeemed shares to a separate bank account and notify such shareholder in writing. PPWSA shall then eliminate the redeemed shares on its securities register or register of shareholders as soon as such funds are set aside.

However, there are uncertainties as to whether or not such provisions can apply to PPWSA as a Permitted Entity under the current uncertain legal framework for public enterprises.

b-12-4- Conversion of Shares

Under the Law on Commercial Enterprises and other related laws, PPWSA may issue a certain class of shares with the right of conversion to other class of shares.

As of the date hereof, PPWSA has issued ordinary shares and Class A Shares. These two kinds of shares are not convertible into other classes of shares. For this IPO, PPWSA issues only the ordinary shares.

b-12-5- Distribution of Free Shares

Free shares are shares that are newly issued to existing holders of ordinary shares without consideration.

In addition to the payment of dividends in shares in accordance with the dividend policy described under Section 1: 8-Divided policy, PPWSA may also allocate to its shareholders a number of shares which correspond to an amount transferred from capital surplus or mandatory or voluntary reserves to the capital, in the form of free shares.

PPWSA shall distribute such free shares to all holders of ordinary shares of PPWSA in proportion to their existing shareholdings.

b-12-6- Preemptive Rights

In case that PPWSA issues additional shares, all shareholders shall have a pre-emptive right to acquire the offered shares in proportion to their respective holding of such class of shares at a price and on the terms that would have been offered to third parties. Thus, PPWSA shall offer new shares of each class on uniform terms to all holders of each class of shares who have preemptive rights and are listed on PPWSA's register of shareholders as of the record date. The record date will be on the close of business on the day PPWSA elects to close its share register to determine which shareholders are entitled to receive the pre-emptive rights. The ex-rights date will be one business days before the record date. To be entitled to the pre-emptive rights, a shareholder must purchase the shares before the ex-rights date. If shares are purchased on or

after the ex-rights date, the previous owner of the shares is entitled to the rights.

After the IPO, PPWSA may, through a BOD resolution and after obtaining approval from the MEF, issue additional shares to third parties other than the existing holders of each class of shares without considering their preemptive rights in case of:

- Public offering
- Offering to the employees of PPWSA
- Offering in order to achieve a special business purpose, including, without limitation, introduction of new technology or improvement of financial condition
- Offering to be subscribed for by the Underwriters for the purpose of listing on the CSX
- Offering in the form of depositary receipts in accordance with applicable laws and regulations.

b-12-7- General Meeting of Shareholders

PPWSA's AOI as of the date hereof does not yet stipulated any mechanism and procedure dealing with a general meeting of shareholders. After this IPO, PPWSA will amend its current AOI by including the provisions on a general meeting of shareholders as follows:

- PPWSA will have an annual general meeting of shareholders and an extraordinary general meeting of shareholders. PPWSA will convene an ordinary general meeting of shareholders no later than three (3) months from 31 December of each fiscal year and an extraordinary general meeting of shareholders at any time by the Director General upon BOD resolution or at the request of shareholders holding at least 51% of the total shares with voting rights.
- In order to convene a general meeting of shareholders, PPWSA shall give its shareholders a written notice no less than thirty (30) days prior to the date of the scheduled meeting. Such notice shall stipulate the date, time, location and agenda of the meeting. In the event that PPWSA fails to give written notice to its shareholders, such notice shall be published in both Khmer and English newspapers. After the shares of PPWSA are listed on the CSX, the notice to the public shall be made in both Khmer and English newspapers accredited by the SECC including the relevant documents and necessary information for the exercise of voting right.
- The agenda for the meeting of shareholders shall be determined at the meeting of the BOD. In the event that the shareholders' meeting is requested by the shareholders holding at least 51% of PPWSA's total shares with voting rights, the application for shareholders' meeting shall be made in writing, signed by the requesting shareholders, and submitted to the Director General with the details of the proposed agenda. If the Director General does not call and arrange to convene a general meeting of shareholders within twenty one (21) days after such request, the requesting shareholders may call the meeting.
- A general meeting of shareholders shall be duly constituted if, at the commencement of such meeting, shareholders representing at least 51% of the total issued shares of PPWSA are present in person or by proxy. In case where the aforementioned quorum is not satisfied in the first meeting, a second meeting will convene within 45 days from the date that was set for the first meeting and the quorum for the second meeting shall be the number of shareholders actually present at such meeting.

- Shareholders who are not registered in PPWSA's register of shareholders (list of shareholders) as of the record date shall not be entitled to receive a notice of the general meeting of shareholders or attend or vote at the general meeting. Shareholders' meeting shall be held at PPWSA's registered Head Office or at any location within Cambodia stipulated on the notice for convocation.
- Also in respect of the rights of a general meeting of shareholders, PPWSA, as a public enterprise, may have different characteristics from those of public limited companies. The shareholders of a public enterprise do not have any rights to, (i) appoint or dismiss an internal auditor and directors other than a non-executive director or an independent director, (ii) determine salaries and other compensations of an internal auditor and directors, (iii) decide the transfer or disposal of material property and business, merger, split, dissolution and liquidation of PPWSA, which needs to be approved in accordance with a joint proposal of the MIME and the MEF following the request from the BOD, as opposed to the general characteristics of public limited companies which require a shareholders' resolution.
- Following this IPO, the matters affecting the interests of the shareholders as public investors including, without limitation, a proposal for an appointment of a non-executive director representing the shareholders as public investors, shall be adopted by a resolution of the public investors' general meeting where the shareholders as public investors shall have the right to attend and vote in accordance with the recommendation of the BOD.

b-12-8- Voting Rights

The holders of ordinary shares of PPWSA are entitled to one vote per ordinary share while the holders of Class A Shares are not entitled to exercise voting rights except in the following circumstances:

- Amending the AOI
- Effecting a capital reduction
- Any other matters that require a special resolution under the relevant laws and regulations.

The resolution at a general meeting of shareholders shall be adopted by affirmative votes of the majority of voting shares presented or represented at the meeting. Under the current laws and regulations, the aforementioned matters that require a special resolution shall be adopted by affirmative votes of no less than two-thirds (2/3) of voting shares presented or represented at the meeting or of the signatures of the total voting shareholders. A special resolution shall be approved by the MIME and the MEF.

Furthermore, under the current AOI, merger, separation, dissolution and liquidation of PPWSA shall be approved by an Anukret in accordance with a joint proposal of the MIME and the MEF following the request of the BOD, as opposed to a public limited company where such matters shall only be subject to a special resolution.

Shareholders may exercise their voting rights in person or by proxy. In order to exercise voting rights, a proxy shall present a proxy evidencing its power of attorney prior to the commencement of the shareholders' meeting concerned.

b-12-9- Rights to Demand Appraisal

In case of a merger, the Law on Commercial Enterprises stipulates that shareholders of a dissolving company may have the right to require a surviving company to demand appraisal of their shares and to purchase such shares. In order to exercise such right, shareholders of a dissolving company need to meet all of the following conditions:

- Must have owned the shares of a dissolving company before the approval of the merger through a general meeting of shareholders;
- Must have not voted in favor of the merger;
- Must have made a written demand to a surviving company after the articles of merger are filed with the MOC; and
- Must have surrendered the share certificates to a surviving company at the same time of making a demand for appraisal.

The purchase price for the shares is determined through a negotiation of up to ninety (90) days between the shareholders of the dissolving company and the surviving company. If it is not possible to agree on a fair price, the court shall decide on the fair price and the shareholders of the dissolving company shall be entitled to such price.

b-12-10- Shareholders' Register and Record Dates

Pursuant to the SECC Regulations, PPWSA's securities registrar and securities transfer agent, ACLEDA Bank Plc., shall prepare and maintain PPWSA's shareholders' register at its office in Phnom Penh, containing a list of registered shareholders in an alphabetical order and showing the number of shares held by each shareholder and a permanent address of each shareholder, with respect to each class of shares issued by PPWSA. Such shareholders shall be entitled to voting rights, rights to receive dividends and any other rights as a shareholder; provided, however, that the details of the Public Shareholders who hold 85% of the total voting shares in the Shareholders' Register shall be recorded based on the list provided by the MEF.

In case where shares of PPWSA are deposited at the OSD, the preparation and maintenance of the Shareholders' Register shall be done in accordance with the Prakas No.002/11 dated 3 May 2011 on the Implementation of Operating Rules of Securities Depository ("Prakas No.002/11) and the applicable laws.

PPWSA shall set a record date on which the shareholders may exercise the Shareholders' Rights, provided that the record date shall not be more than fifty (50) days or less than twenty (20) days from the date that the annual shareholder meeting is made.

PPWSA shall, at least two (2) weeks prior to such record date, give the shareholders a public notice announcing that the shareholders recorded in PPWSA's Shareholders' Register as of such record date shall be entitled to exercise the Shareholders' Rights.

If a person named on the Shareholders' Register transfers title to any of his/her shares after the record date, the transferee is entitled to cast vote at the general meeting of shareholders provided that any of two requirements is fulfilled:

- He/she has properly endorsed share certificates or other evidence confirming his/her ownership to the relevant shares including the Securities Account Book and the Customer Account Book (See b-12-12-Transfer of Shares below)
- He/she demands, not later than ten (10) days before the meeting, that his/her name be included in the Shareholders' Register.

b-12-11- Right to Access to Information

The shareholders and the general public may access the official websites of PPWSA, the SECC and the CSX to peruse the final, registered version of this Disclosure Document. Additionally, PPWSA provides to shareholders and the public, upon request and payment of a reasonable fee, hard copies of the audited annual financial statements, operating results, quarterly financial reports, information about directors and senior officers and other relevant information.

b-12-12- Transfer of Shares

Under the relevant laws, there is no restriction on transfer or sale of shares by PPWSA's shareholders. The share transfer will be made by endorsement and delivery of a share certificate or in other forms recognized by the relevant laws.

After this IPO, the shares are deposited at the OSD and the transfer of title to the shares shall become effective when the book entry of share transfer is made in the Member's and Participant's Securities Account Book and pursuant to Prakas No.002/11 dated in 03 May 2011. PPWSA's securities transfer agent is ACLEDA Bank Plc., located at #61, Preah Monivong Blvd, Sangkat Sras Choak, Phnom Penh, Cambodia.

b-12-13- Acquisition of Shares by PPWSA

Under the Law on Commercial Enterprises, Public Enterprise Law and the SECC's regulations, PPWSA can acquire its own shares for PPWSA's business and other purposes in accordance with the BOD's resolution.

b-12-14- Liquidation Rights

In the event of liquidation of PPWSA, after payment of all debts, liquidation expenses and taxes, the holders of Class A Shares are entitled to receive distribution of remaining assets of PPWSA in priority to the holder of ordinary shares. Thereafter, the remaining assets after distribution to Class A shareholders shall be distributed to ordinary shareholders in proportion to their shareholdings.

10- Determination of offering price of equity securities

PPWSA and TYSC have determined the offering price at KHR 6,300 based on the result of the book building and actual market situation after the completion of the book building and the approval on the term of offer from SECC and CSX.

11- Net assets per share, earnings per share, P/E ratio or price earnings multiple per share and dividend yield per share

a- Net assets per share (FY 2010)

(Unit: KHR '000, shares)

| No. | Description | Amount |
|-----|--------------------------------------|--------------------|
| | ASSETS | |
| | Non-current assets | |
| 1 | Property, plant and equipment | 541,321,047 |
| 2 | Intangible assets | 996,801 |
| 3 | Loan to Pursat Water Supply | 768,266 |
| | Total non-current assets | 543,086,114 |
| | | |
| | Current assets | |
| 1 | Inventories | 20,176,810 |
| 2 | Trade and other receivables | 44,376,504 |
| 3 | Loan to Pursat Water Supply | 50,149 |
| 4 | Income tax receivables | 1,643,818 |
| 5 | Short-term investments | 129,697,135 |
| 6 | Cash and cash equivalents | 7,066,752 |
| | Total current asset | 203,011,168 |
| | | |
| | Total assets (A) | 746,097,282 |
| | | |
| | LIABILITIES | |
| | Non-current liabilities | |
| 1 | Retirement benefit obligation | 20,347,816 |
| 2 | Deferred income tax liabilities | 15,279,480 |
| 3 | Borrowings | 129,255,377 |
| 4 | Refundable water deposits | 21,854,738 |
| 5 | Deferred government grants | 16,775,584 |
| | Total non-current liabilities | 203,512,995 |
| | | |
| | Current liabilities: | |
| 1 | Borrowings | 8,758,884 |
| 2 | Income tax payables | - |
| 3 | Trade and other payables | 18,257,830 |
| | Total current liabilities | 27,016,714 |

| No. | Description | Amount |
|-----|--|--------------------|
| | Total liabilities (B) | 230,529,709 |
| | | |
| | Net assets (A-B) | 515,567,573 |
| | Number of ordinary shares (C)* | 86,973,162 |
| | Net assets per ordinary share (A-B) / (C) | 5,927.89 |
| | Number of total equity securities including ordinary and Class A shares (D)* | 478,074,104 |
| | Net assets per share (A-B) / (D) | 1,078.43 |

* Post-IPO basis

* Source: Audited financial statements for the year ended 31 December 2010

b- Earnings per share

(Unit: KHR '000, shares)

| Description | Amount |
|---|------------|
| Net profit after interests and tax (A) | 30,506,352 |
| Dividend paid to preference shares (B) | - |
| (1) = (A) – (B) | 30,506,352 |
| Number of total issued ordinary shares (2)* | 86,973,162 |
| Earnings per share (1)/(2) | 350.76 |

* Post-IPO basis

c- P/E ratio or price earnings multiple per share

(Unit: KHR)

| Description | Amount |
|--|--------------|
| Market price per share(1)* | 6,300 |
| Earnings per share (2) | 350.76 |
| Price earnings multiple per share (1)/(2) (Time)* | 17.96 |

* Based on the offering price

d- Dividend yield per share

(Unit: KHR)

| Description | Amount |
|---|------------|
| Annual dividend per share (1) | - |
| Market price per share (2)* | 6,300 |
| Dividend yield per share (1) / (2) (%) | N/A |

* Based on the offering price

12- Allotment plan of equity securities

(Unit: shares, KHR)

| Type | Percentage (%) | Selling price per share* | Quantity | Amount* |
|---|----------------|--------------------------|-----------|----------------|
| Cambodian citizen investors | 18% | 6,300 | 2,348,275 | 14,794,132,500 |
| Cambodian citizen investors and non-Cambodian citizen investors | 72% | 6,300 | 9,393,102 | 59,176,542,600 |
| ESOP ** | 10% | 6,300 | 1,304,598 | 8,218,967,400 |

* Based on the offering price

* ESOP is not regarded as the Cambodian citizen investors

a- Details of Cambodian Investors

(Unit: shares, KHR)

| Investors' identification | Percentage (%) | Selling price per share* | Quantity | Amount* |
|---------------------------|----------------|--------------------------|----------|---------|
| Employee | N/A | N/A | N/A | N/A |
| Individual | [•] | 6,300 | [•] | [•] |
| Institutional | [•] | 6,300 | [•] | [•] |

* Based on the offering price

b- Details of Non-Cambodian Investors

(Unit: shares, KHR)

| Investors' identification | Percentage (%) | Selling price per share* | Quantity | Amount* |
|---------------------------|----------------|--------------------------|----------|---------|
| Employee | N/A | N/A | N/A | N/A |
| Individual | [•] | 6,300 | [•] | [•] |
| Institutional | [•] | 6,300 | [•] | [•] |

* Based on the offering price

13- Use of proceeds

Through the IPO of 13,045,975 ordinary shares with the offering price of KHR 6,300, PPWSA expects the net proceeds from the issuance to PPWSA will be approximately KHR 75.6 billion after deducting registration fee, listing fee, depository fee, and advisory fees (underwriting, accounting and legal, and other estimated offering expenses). PPWSA intends to use the net proceeds of this offering to:

- Partially and/or fully repay the WB Loan No. IDA 3746 with the annual interest rate of 8.5% and/or the JICA Loan No. CP-P9 with the annual interest rate of 7.35%
- Fund CAPEX plan for transmission and pipe expansion, construction of water towers and investment in WTPs, and other general corporate purposes of PPWSA
- Meet general working capital needs
- Fund raising for new business expansion

Breakdown of Proceeds from Public Issuance

At Offering Price= 6,300 KHR per Share

(Unit: KHR billion)

| No. | Estimated Net Proceeds | Amounts |
|-----|------------------------|---------|
| 1 | Gross Proceeds | 82.2 |
| 2 | Offer Expenses | 6.6 |
| 3 | Net Proceeds | 75.6 |

Until PPWSA uses all of its net proceeds from the IPO as described above, PPWSA intends to deposit any remaining net proceeds in deposit accounts at financial institutions or invest them in short term securities.

14- Investment projects

a- Name of the investment projects

PPWSA is currently engaged in or committed to the following major projects:

- The construction of a WTP at Niroth in two stages, Niroth Stage I and Niroth Stage II (PPWSA anticipates that Stage II will commence in 2013)
- Making extensions to the water transmission and distribution system
- The construction of a Solar Electricity Generation Plant

b- Details and duration of the investment projects

b-1- Niroth WTP Stage I

b-1-1- Investment background for Niroth WTP Stage I

PPWSA has approved the implementation of the Niroth Project which is one of the components in its Master Plan 2005-2020 Greater Phnom Penh. Based on the study of SAFEGE (Niroth Water Supply Project - Feasibility Study, Preliminary Engineering Design, and Tender Preparation for the extension of production and distribution facilities in Phnom Penh), PPWSA commenced the construction of the Niroth WTP Stage I in 2010, which was earlier than it had originally planned.

PPWSA entered into a contract for the construction of Niroth WTP Stage I with the capacity of 130,000 m³ per day in August 2010 with a projected completion date of 2013. When Niroth WTP Stage I is put into operation, the total capacity of water treatment of PPWSA will reach 460,000 m³ per day. However, this capacity will only meet the expected water demand up to 2015. As such, PPWSA plans to construct the Niroth WTP Stage II from 2013 to 2015 in order to ensure enough clean water supply to meet the expected demand until 2020.

The financing for Niroth WTP Stage I was estimated to be KHR 366,592,723,000 (USD 90.3 Million). Details of financing are as follows:

(Unit: KHR '000)

| Financing Details for Each Cost Category | Part A (AFD) | Part B(JICA) | PPWSA | Total |
|---|-------------------|--------------------|--------------------|--------------------|
| Niroth Water Production Facilities | | | | |
| Intake & RWTM | 33,437,250 | | 14,752,920 | 48,190,170 |
| WTP & TWTM | | 156,959,931 | | 156,959,931 |
| Land acquisition & fulfillment | | | 34,328,910 | 34,328,910 |
| Supervision | 7,498,050 | | 4,823,070 | 12,321,120 |
| Interest during construction | | 93,819 | | 93,819 |
| Contingencies | 1,215,900 | 7,740,103 | 689,010 | 9,645,013 |
| Subtotal 1 | 42,151,200 | 164,793,853 | 54,593,910 | 261,538,963 |
| Extension of Water Supply Network | | | | |
| Transmission Network extension | 25,128,600 | | 31,127,040 | 56,255,640 |
| Distribution Network extension | 13,780,200 | | 35,017,920 | 48,798,120 |
| Subtotal 2 | 38,908,800 | | 66,144,960 | 105,053,760 |
| Grand Total (1) & (2) | 81,060,000 | 164,793,853 | 120,738,870 | 366,592,723 |

As of November 2011, the completion of construction of Niroth WTP is evaluated at:

- 56% for Part A.
- 34% for Part B.

Schedule of expenditure for construction of Niroth WTP stage I for 2011 to 2013 is as follows:

(Unit: KHR million)

| Counterpart Finance | 2011 | 2012 | 2013 |
|---------------------|---------------|---------------|---------------|
| AFD Part | 27,317 | 19,504 | 5,187 |
| JICA Part | 53,328 | 55,708 | 31,529 |
| PPWSA's | 11,046 | 5,880 | 2,013 |
| Total | 91,693 | 81,093 | 38,730 |

A technical outline of the facility of the Niroth WTP Stage I is as follows:

1) Intake

- An intake tower with a height of approximately 25 meters from the foundation level is to be constructed. The function of the intake tower is to extract 270,000 m³ per day of water for stage I and II from the Mekong River Downstream.

- A RWPS with capacity of 135 MLD and variable TMH (approximate ranges from 7 to 20 meters).
- A complete automatic control and SCADA system (sensors, actuators, measuring instruments, PLC, Ethernet LAN, workstation, connection to the radio system) for operation of the RWPS, local supervisory controls and remote supervisory controls from the main control room in WTP.
- Transmission of data from intake controls and SCADA system to the SCADA system of the WTP via the radio communication system.
- A RWTM DN 1600 (2.5 km in length) on public roads connecting RWPS to fence off the WTP site.

2) Water Treatment Plant

- RWTM (DN 1600 & DN 1200) link between RWTM from Intake (WTP site fence).
- A clarifying system including, in design optimisation, mixing chambers, 4 flash mixers with stirrers connected in parallel, 24 flocculators (12 mechanical and 12 static), 12 lamellar settling tanks with sludge removal system and raw water overflow.
- A filtration system including, 12 rapid sand filters and components (filtered water, backwash, filter wastewater & air scour pipes, flow meter and flow control for backwash water and air, level or flow controllers, etc.).
- Backwash pumps capable of operating at variable speeds and soundproof air blowers.
- Compressed air system for valve actuators (clarifier and chlorine shut-off)
- Underground RCC reservoirs of 23 ML raw capacity in two hydraulic compartments and 8 independent structures linked together by expansion joints and including all pipes, valves, fittings for reservoir functions (inlet, outlet, maintenance, drainage, and overflow) and level control.
- TWPS consisting of 6 variable speed pumps controlled by pressure gauges located on TWTM.
- Chemical plant for preparation and dosing of alum and lime for Stage I.
- Chlorination building sized for two stages but equipped for Stage I only, including booster pump.
- Automatic controls and SCADA.
- CCTV system, Interphone System, VoIP telephone system between raw water pumping station and WTP.
- Surge vessel with level indicator and TWTM within site including magnetic flow meter.
- TWTM conveying treated water from TWPS to New Monivong Bridge 2.16km in length) and including DCIP pipeline DN 1600, valves, fittings, thrusting by self-anchored pipes, etc. Structures include metered distribution nodes, section valves, by-pass, washout, air valve and chambers. In addition, TWTM will comprise 0.25 km of twin DN 1000 pipes to be installed along New Monivong Bridge on cantilever support.
- Drainage pipe DN 1200 (1400 meters) from WTP to Tonle Bassac to convey rain water and sludge.
- Laboratory (internal arrangement, equipment and apparatus for chemical, process and biological analysis).

b-1-2- Niroth WTP Stage II

PPWSA plans to double the capacity of Niroth WTP Stage I by 130,000 m³ per day with the construction of Niroth WTP Stage II and It is estimated that the costs for this project including price contingencies is approximately US\$ 29.4 million (KHR 119.2 billion). However, this estimate may be subject to a substantial revision as the specific details of Stage II are under study.

The second stage of the Niroth WTP is scheduled to be implemented by 2013 and finish by 2015. The Niroth WTP Stage II will allow satisfaction of the water demand increase in the service area for the period 2015 – 2020.

The table below shows details of the estimated costs of construction by categories:

(Unit: KHR million)

| Details of Estimated Cost Categories | Amount |
|--------------------------------------|-------------------|
| General costs | 10,902.57 |
| Intake | 7,741.23 |
| WTP | 40,084.17 |
| Treated Water Reservoir | 17,306.31 |
| Treated Water Pumping Station (TWPS) | 8,673.42 |
| Sewage system (SS) | 202.65 |
| <i>Contingencies</i> | 4,012.47 |
| Sub-total | 88,922.82 |
| Surveys & consultant services | 10,051.44 |
| Total | 98,974.26 |
| <i>Price contingency</i> | 20,265.00 |
| Total | 119,239.26 |

Schedule of expenditure for construction of Niroth WTP Stage II is as follows:

(Unit: KHR million)

| Counterpart Financing | 2013 |
|-----------------------|---------------|
| AFD Part | 17,834 |
| Company's Part | 8,357 |
| Total | 26,191 |

b-1-3- Investment in the expansion of the water transmission and distribution system

The water transmission and distribution system is being expanded from a diameter of 63 mm to 1,400 mm for the total length of 445,508 m from 2011 to 2013 in order to supply the water to consumers after the completion of the Niroth WTP project.

Schedule for the proposed extension to the central distribution system, and schematic diagram of the proposed extensions is presented below:

(Unit: meter)

| Diameter | 2011 | 2012 | 2013 |
|----------------------------|----------------|----------------|----------------|
| a-Secondary Network | | | |
| Ø63 | 31,012 | 12,950 | 22,200 |
| Ø90 | 34,397 | 24,320 | 30,000 |
| Ø110 | 32,345 | 50,980 | 24,200 |
| Ø160 | 17,963 | 44,910 | 12,500 |
| Ø225 | 10,728 | 25,520 | 4,700 |
| Subtotal (a) | 126,445 | 158,680 | 93,600 |
| b-Primary Network | | | |
| Ø250 | 2,104 | 2,580 | 6,300 |
| Ø300 | 3,952 | 5,610 | 8,900 |
| Ø400 | 2,233 | 4,060 | 2,700 |
| Ø500 | 3,542 | 10,200 | |
| Ø600 | | | |
| Ø 800 | | | 7,000 |
| Ø1200 | | 2,400 | |
| Ø1400 | | 5,200 | |
| Subtotal (b) | 11,831 | 30,050 | 24,900 |
| Total | 138,276 | 188,730 | 118,500 |

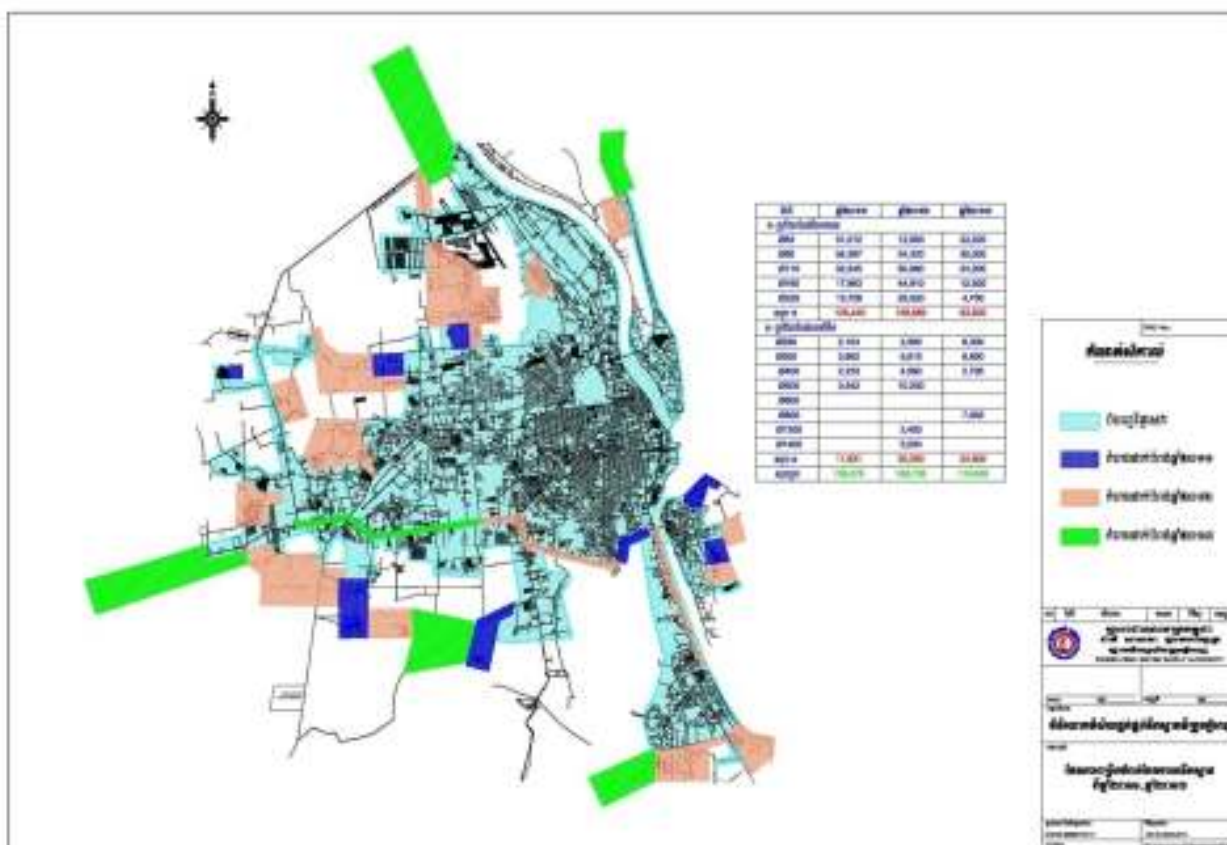
Planned investment costs on the extension of transmission and distribution network from 2011 to 2013 are as follow:

(Unit: KHR)

| No. | Location | 2011 | 2012 | 2013 |
|--------------|-----------------------|-----------------------|-----------------------|-----------------------|
| 1 | Existing service area | 662,017,650 | 1,763,410,788 | 4,064,579,490 |
| 2 | Sen Sok District | 338,966,330 | 6,864,157,980 | 1,519,291,480 |
| 3 | Reosey Koa District | | 1,085,079,085 | 1,218,840,070 |
| 4 | Mean Chey District | 12,209,845,584 | 46,825,474,755 | |
| 5 | Dongkor District | 3,361,393,962 | 11,894,109,440 | 24,706,429,530 |
| 6 | Takmoa Town | | 8,838,819,157 | 1,019,973,890 |
| 7 | Ang Snoul Commune | | | 3,272,495,850 |
| Total | | 16,572,223,526 | 77,271,051,503 | 35,801,610,310 |

Planned investment costs on supporting equipment for distribution system from 2011 to 2013 are as follows:

| No. | Location | 2011 | 2012 | 2013 |
|--------------|----------------|-------------|-------------|-------------|
| 1 | Air Valve | 21,917,650 | 21,917,650 | 21,917,650 |
| 2 | Valve box zone | 156,828,000 | 156,828,000 | 348,912,000 |
| 3 | Fire hydrant | | 377,892,000 | 156,828,000 |
| Total | | 178,745,650 | 556,637,650 | 527,657,650 |



Estimated CAPEX investment plan on production system, equipment and tools, office building and office equipment and tools from 2011 to 2013 are as follows:

(Unit: KHR)

| Components | 2011 | 2012 | 2013 |
|--|----------------------|----------------------|----------------------|
| a-Production System | 4,699,040,000 | 1,382,220,000 | 323,400,000 |
| • Phum Prek WTP | | 1,263,780,000 | 136,920,000 |
| • Chrouy Chang War WTP | | 118,440,000 | 164,220,000 |
| • Cham Kar Mon WTP | | | |
| • Water Tower | | | 22,260,000 |
| b-Equipment and Tools | 4,390,580,000 | 4,282,320,000 | 2,620,380,000 |
| • Equipments and Tools for pipe laying site | 4,246,530,000 | 3,679,200,000 | 2,397,780,000 |
| • Equipments and Tools for Maintenance and Repair of Distribution System | 144,050,000 | 603,120,000 | 222,600,000 |
| c-Office Building | 4,184,029,000 | | |
| d-Office Equipment and Tools | 1,228,957,000 | 1,022,519,200 | |

b-1-4- Solar Electricity Generation Plant

The objective of the Introduction of Clean Energy by Solar Electricity Generation System is to supply at around 488kw/hour of electricity to the Phum Prek WTP and promote clean energy utilization and contribute to emission reductions by installing a photovoltaic system to be connected to the national grid. This project will be implemented with the assistance from a Japanese grant equivalent to KHR 35,805,600,000 (720 million Japanese Yen, equivalent to USD 7.5 million).

Allocation of components:

(Unit: KHR)

| Products and Incidental Service | Budget | Portion |
|---|---|-------------|
| PV system Products | 33,165,881,870 (JPY 666,919,000) | 92.63% |
| Other necessary Products | | |
| Transportation | | |
| Civil and Building Work | | |
| Installation Work | | |
| Operation training Work | | |
| Insurance | | |
| Consultant's Fee including Management Guidance (Soft Component) | 1,848,115,990 (JPY 37,163,000) | 5.16% |
| Agent's Fee | 791,651,870 (JPY 15,919,000) | 2.21% |
| Total Amount | 35,805,600,000 (JPY 720,000,000) | 100% |

c- Estimated value of projects and profits realizable from the investment project:

c-1- Estimated outcome of investments in the Niroth Projects are indicated below:

| Performance Indicators | 2011 | 2012 | 2013 |
|---|----------------|----------------|----------------|
| Opening Active Connection | 200,900 | 212,900 | 224,900 |
| New Connections | 12,000 | 12,000 | 10,000 |
| Closing Connections | 212,900 | 224,900 | 234,900 |
| Production Volume of Potable Water(m ³) | 102,291,030 | 108,326,600 | 115,770,900 |
| Volume of Water Sale(m ³) | 108,788,560 | 114,873,800 | 122,573,700 |
| Average Usage/Connection (m ³ /month) | 40.23 | 40.33 | 41.00 |
| Average tariff rate (KHR) | 998.61 | 999.54 | 1004.09 |
| Water loss rate (%) | 5.85% | 5.70% | 5.55% |
| Total Revenue of water sold (KHR million) | 102,148 | 108,276 | 116,244 |

These projections have been made on the basis of numerous assumptions, which PPWSA believes to be reasonable including inter alia projected population growth, pattern of population growth, projected economic growth in Phnom Penh etc. Notwithstanding that PPWSA believes these projections to be reasonable based on current information available to it, changes in the external environment or internal changes may render the assumptions incorrect. Accordingly, PPWSA is unable provide any assurance that these projections will be met, or provide information as to any margin of error relating to these projections.

c-2- Expected power generation and saving of electricity payment:

Electricity generation from the solar generation plant is estimated to be 652,800kWh. Savings in electricity payment is estimated to be KHR 507 million by using the average electricity tariff, or about 5.3 % of the electricity payment in 2010.

SECTION 3: RISK FACTORS

IMPORTANT NOTICE

An equity investment is a high-risk investment. All persons should carefully consider all of the information in this Disclosure Document, and in particular the risks described in this section, prior to making an investment in PPWSA's ordinary shares. All persons should seek appropriate advice from an accredited investment advisor representative or advisory firms.

All persons should read this section entitled 'Section 3 Risk Factors' in conjunction with the sections entitled, "Our Business" and "Management's Discussion and Analysis" together with all of the other financial and statistical information contained in this Disclosure Document.

If any of the following risks occur, PPWSA's business or financial position may be adversely affected, resulting in the decline in the price of PPWSA's ordinary shares, and persons who have invested in this IPO losing all or part of their investment.

The risks discussed in this section are not exhaustive and PPWSA and persons who have invested in this IPO may come across additional risks. PPWSA's business could be adversely affected by additional factors that they are not aware of at this time, or that PPWSA does not presently consider to be material to their business. Unless otherwise stated in the risk factors set forth below, PPWSA is not in a position to quantify or specify with any precision the impact of the risks mentioned herein.

The risk factors which have been included in this Disclosure Document have been decided having regard to their materiality, and in particular:

- The materiality of risks which are not individually material, but when considered together with other risks may be material;**
- The materiality of risks which may have a qualitative as opposed to quantitative impact on PPWSA's operations or financial performance; and**
- The materiality of risks which may not be material at this point in time, but which may materially impact PPWSA or persons who invest in this IPO in the future.**

Please be advised that the absence of Management's view and risk mitigation in respect of any risk factor is not an oversight. In respect of many of the risk factors contained herein, risk mitigation is not possible or no actions to mitigate the risk have been taken.

1- Interest rate risks

a- Analysis

Interest rate risks refer to risks from fluctuation of interest rate in the future, which may adversely affect financing costs and returns on short-term investments. PPWSA's exposure to interest rate risks relates to its long-term borrowings with floating rate and its short-term investments.

The only loan which exposes PPWSA to limited interest rate risk is an amortizing loan from the AFD Loan No. CKH 1075 03S in the amount of EUR 16,000,000 (KHR 86,240,000,000) with a semi-annual coupon rate of 6-month EURIBOR rate minus 1.35%. The risk is limited, because although the interest rate payable in the contract varies with the EURIBOR rate minus 1.35%, the contract states that the interest rate cannot exceed 5.21% nor be lower than 0.25%. The floating rate is effective until 31 August 2013 after which the interest rate automatically converts to a fixed rate after completing disbursements. The principal is scheduled to be repaid with semi-annual installments commencing on 30 November 2013 and ending on 31 May 2021 after a 3-year and 6-month grace period. The loan is denominated in Euro, and subject to payments of interest and principal in Euro.

PPWSA is also exposed to interest rate risk (decline of interest rate) as it has made a large amount of deposits, denominated in both USD and KHR with a maturity of less than one year, as well as short-term investments represented by fixed deposits. The returns from these deposits are for working capital purposes and also to fund PPWSA's employee retirement benefit obligations.

b- Management view and risk mitigation

PPWSA believes that the interest rate applied for AFD Loan No. CKH 1075 03S is preferential since it is equal to 6-month EURIBOR rate minus 1.35%. The floating rate will be applied only during a short period, after which, it will be converted into a fixed rate. Historically, the AFD Loan No. CKH 6000 01G was converted into a fixed 1.49% interest loan.

Interest rate risks on short-term deposits shall be eased or limited since PPWSA always obtains favorable interest rate from several banks through long-term partnerships. Additionally, PPWSA carefully considers the relevant risks and return before choosing a bank to invest its cash.

2- Exchange rate risks

a- Analysis

PPWSA is exposed to exchange rate risks because of the fact that PPWSA's billing are in KHR while some of its expenses are in foreign currencies such as expenses on equipment and raw materials, as well as repayment of loans that are denominated in foreign currencies.

PPWSA has three loans which present exchange rate risks:

- AFD Loans No. CKH 6000 01 G and No. CKH 1075 03S, dominated in EUR
- JICA Credit No. CP-P9 obtained through MEF, dominated in USD

b- Management view and risk mitigation

As there is no derivatives market in Cambodia that deals with futures, forwards, swaps, options or any alternatives to hedge the KHR against a foreign currency, PPWSA converts part of its revenues into foreign currency and keeps any remainder in KHR for financing its working capital needs. In light of the situation in Cambodia, PPWSA is able to keep only USD deposits at several banks.

3- Industry risks

3.1- Dependence on major customers

a- Analysis

The tariff structure of PPWSA rises progressively along with the consumption volume for a given customer. Accordingly, the more the customers increase their consumption, the higher the average tariff charged. In Phnom Penh, most of PPWSA's major customers are garment factories. Considering the fact that their major trading partners are retailers who are suffering from the financial crisis along with other manufacturers, a recession in the global economy recession may negatively affect the garment industry. Consequently, this may result in the loss of revenue from these major customers.

b- Management view and risk mitigation

The decline of the garment industry is not likely to have a serious material impact on the consumption quantity of clean water supplied by PPWSA due to well-diversified revenue sources. PPWSA does not have any single customer that accounts for at least 10% of the Company's total sales. In fact, as of 31 Dec. 2010 the Company's top ten customers accounted for only approximately 3.55% of the Company's total sales.

3.2- Reduction in GDP per capita

a- Analysis

A decline in the growth of GDP per capita may translate into deterioration of the population's average living standard, which may in turn, result in a reduction of water consumption for each family. Since the tariffs of clean water supplied by PPWSA progressively increase and the consumption increases, a plunge in water consumption may reduce the average water tariff and, as a consequence diminish the revenue of PPWSA.

b- Management view and risk mitigation

Cambodia has been among countries with high economic growth in the world. According to data issued by the IMF in September 2011, Cambodian economy was forecasted to see growth rate of 6.7% and 6.45%, in 2011 and 2012 respectively.

PPWSA believes that Cambodia may not face any decrease of GDP per capita in the near future.

3.3- Decrease of population in Phnom Penh

a- Analysis

All residents of Phnom Penh are customers of PPWSA. A decrease of population in Phnom Penh may lead to a decrease in the number of PPWSA's customer base, which will result in the decrease of PPWSA's revenue.

b- Management view and risk mitigation

There is no study proving that the population in Phnom Penh is decreasing. According to the 2010 report issued by the Ministry of Planning, number of population in Phnom Penh, will continue to increase to 1.8 million and 2.1 million in 2015 and 2020 respectively

3.4- Expansion of service coverage area

a- Analysis

Phnom Penh continues to grow and expand at its periphery and as of the date hereof, there are in excess of 20 new communes on the boundaries of Phnom Penh. However, these new communes are located at a significant distance from PPWSA's existing WTPs. This factor combined with the fact that there are no proper roads and other infrastructure in these communes, has the consequence that the expansion of PPWSA's distribution network to these areas is likely to require a significant amount of capital. The distance to these communes from the WTPs will also result in greater pumping pressures being required, resulting in higher power costs, higher maintenance costs and perhaps an increase in NRW because of leakages resulting from the higher pressures. Such expansion strategy may affect the financial position of PPWSA.

Indeed, the population in that area are mostly household, whose consumption quantity corresponds to the class of tariff lower than production cost. This may result in a diminishing average tariff charged.

b- Management view and risk mitigation

Based on previous experience, prior to the expansion of service coverage to any area, PPWSA conducted in-depth research on the economic potential and possible impacts from the investment.

4- Operational risks

4.1- Risk related to demand in electricity

a- Analysis

PPWSA's operations require a significant consumption of electricity. PPWSA relies wholly on Electricité Du Cambodge (EDC). Indeed, PPWSA is the largest user of electricity in Phnom Penh. Electricity cost constituted approximately 30% of PPWSA's operating expenses in 2010. Since 2001, EDC has revised its tariffs twice, resulting in an increase by 100%. Increases in electricity costs will augment PPWSA's operating expenses and may undermine PPWSA's financial performance. In case of electrical blackouts, water supply will be temporarily suspended, which will incur loss of revenue of PPWSA.

b- Management view and risk mitigation

In order to mitigate its reliance on the EDC for the supply of electricity, and to reduce costs, PPWSA is constructing a solar electricity generation plant with a potential output of 488 KW. Details of the solar electricity generation plant are provided under Section 2: 14-Investment projects.

Blackouts can result in a disruption to the continuous supply of water to the customers. In general, EDC informs PPWSA of blackouts schedule and gives the highest priority to PPWSA in case of a scheduled blackout. Blackouts, though in short duration, may potentially damage PPWSA's equipment such as water pumping motor and water pipes resulting from adverse water pressure. Meanwhile, those blackouts may also potentially affect the quality of water. PPWSA is not responsible for the matters caused by unclean water. To insure the quality of clean water, qualified technicians check the quality of water in the sedimentation basin, filters and clear water reservoir, three times a day, and eighty water samples are taken from the distribution system for testing every week.

4.2- Risk related to importation of raw materials

a- Analysis

PPWSA imports most of its raw material (Chlorine), used for water treatment, from Thailand. During the border dispute between Thailand and Cambodia commencing from June 2008 to early 2011, PPWSA imported raw material from Vietnam with a cost higher than that imported from Thailand. This resulted in higher production costs, which shall negatively affect the profit of PPWSA.

b- Management view and risk mitigation

The dispute between Thailand and Cambodia is a special circumstance, beyond the control of PPWSA's management. However, this matter is not likely to be permanent. Additionally, price of Chlorine imported from Vietnam is approximately KHR 405,300 (USD 100) per ton higher than those imported from Thailand, which resulted in increase of production costs by less than KHR 0.8/m³. As such, this factor is not expected to incur any significant impact on PPWSA's profit.

4.3- Risk related to the level of rivers

a- Analysis

PPWSA uses water from Mekong, Tonle Sap and Tonle Bassac Rivers. The level of those Rivers changes along with the season. In case that the level of those Rivers becomes lower, PPWSA will be able to pump less water and consume more electricity. In this case, the production cost will go up, which will affect adversely the profit of the company.

b- Management view and risk mitigation

All water intake stations of PPWSA were constructed by considering such factors as the levels of the three rivers. The Phum Prek water intake station is able to pump water without any problems until the level of Tonle Sap River reaches 1.58m. The Chroy Changva water intake station is able to pump water without any problems until the water level of Mekong River as indicated on the level measurement tool reaches 0.00 m. The Niroth water intake station can pump water until the water level of Mekong River reaches 0.5 m. The Chamkar Mon water intake station is a floating station, which will not face any problem with water level. Indeed, a Low Water Level (LWL) requires significantly more electricity for pumping, which will increase the production cost. However, this factor has already been taken into consideration in calculating the tariff structure.

Based on previous experience and anticipation, there is no evidence proving the water level of the three rivers will reach a level lower than expected when constructing the water intake stations.

4.4- Risk related to quality of raw water

a- Analysis

Supply of unclean water may deteriorate customers' health. PPWSA uses water from rivers which may have Algae during dry season. Those Algae contain pollutants that can be harmful to customers' health. The problem of water quality may occur in case of leakages in the distribution system and electricity blackouts or sub-standard repairs of leakages. Such events may have an adverse effect on PPWSA's reputation and customer base.

b- Management view and risk mitigation

PPWSA carefully and regularly monitors the quality of raw water throughout the year. The monitoring is stricter during dry season to detect such harmful pollutants in raw water, and PPWSA takes timely measures to eliminate them effectively.

Every week, PPWSA selects 80 samples from the distribution system to check whether the supplied water meets the quality required by the national water standard as well as the water standard of the WHO to ensure that there is no severe impact on the consumers.

4.5- Risk related to natural disaster and other damages by third parties

a- Analysis

PPWSA's facilities may incur significant loss, damage or other impairments, including its water supply systems as a result of natural disasters, earth quake, accidents or catastrophic events including but not limited to occurrences such as fires, floods and human errors in operating such facilities and water supply system and damages by third parties. These may negatively affect the company's income. PPWSA has no insurance against the events described in the foregoing which could materially harm PPWSA's business, operations and financial condition.

b- Management view and risk mitigation

There have been no major natural disasters in Cambodia, especially in Phnom Penh, over the past decades which means that PPWSA's equipment and facilities have not been impacted by any major natural disasters.

PPWSA does not have in place a specific natural disaster plan because there have not been any major natural disasters over the past decades and believes that it is highly unlikely that it will be subject to such disasters in the future. Nevertheless, PPWSA has taken various back-up measures in its customer management program, accounting systems and information systems to maximize the safe keeping of its data. PPWSA has established standard operational procedures on its main works and provides regular training to its staffs to implement such procedures. PPWSA strictly controls and imposes its rules to its employees in order to minimize the possibility of errors. In addition, PPWSA seeks compensation and reparation for any damages caused by a third party without any exception.

5- Non-operational risks

5.1- Corporate Governance risk

a- Analysis

Corporate Governance risk occurs mainly:

- In case that the BOD Chairman and the Director General are the same person, which may lead to low transparency in BOD resolution
- Because the BOD is composed of representatives from public institutions whose policies may differ from each other, which may lead to late decision making
- In case that there are corruptions, lack of solidarity, personal interest matter, among management group, the management may not be effective
- In case that the appointment of senior officers does not depend on qualification and actual needs, there may not be a good performance.

b- Management view and risk mitigation

After IPO, PPWSA's BOD member selection will be conducted in accordance with Anukret No. 71 dated on 22 April 2011 on complementary of Anukret No.41 dated on 6 August 1997, and Prakas No. 013/10 dated on 15 December 2010 on Corporate Governance for Listed Public Enterprise.

In order to insure the management with transparency, accountability and effectiveness, PPWSA has established the following management mechanisms:

- Decentralization from top management to the front line
- Establishment of Standard of Operational Procedure (SOP) at all levels so that the operation of all sections shall be in-line with the standards
- Top managements of PPWSA are qualified and have appropriate professional ethnics
- Creation of a technical committee to analyze and examine major decisions in investment and operation before submitting to the Director General.
- Creation of long-term back up program for the employees, to insure the sustainability of PPWSA's operation in the future.

5.2- Risk related to providing loan to other institutions

a- Analysis

Because of the relatively favorable financial situation of PPWSA, the RGC has required PPWSA to provide loans to EDC and the Pursat Water Supply Authority. As at 31 December 2010, there were zero outstanding loans to the EDC. There is currently only 1 outstanding loan to Pursat Water Supply Authority for the FY 2010 as shown below:

(Unit: KHR '000)

| Name of institution | Interest rate | Maturity | Amount | Balance |
|-------------------------------|---------------|------------|----------------|----------------|
| Pursat Water Supply Authority | 5% | 120 months | 901,446 | 818,415 |
| Total Loan | | | 901,446 | 818,415 |

In case of default of the loan, there will be a negative impact on PPWSA's cash management plan.

b- Management view and risk mitigation

Every loan provided so far was recognized and guaranteed by the guardian Ministries, especially the MEF. As such, a default of such loan will have minimal impact on the financial position of PPWSA. PPWSA bases its decision to cooperate with partners in acceptable commercial terms.

6- Financial risks including default risks and cash liquidity risks

6.1- PPWSA's financial position may deteriorate if its costs continue to rise, and it is unable to obtain approval for a tariff increase

a- Analysis

PPWSA has not adjusted the water tariff for 10 years notwithstanding that there have been substantial increases in input costs over such period of time. There may be public opposition to PPWSA attempting to increase the tariff, which may result in the government taking political decisions to oppose or limit any tariff increase. If the costs continue to rise while PPWSA is unable to increase the tariff, there will be an adverse effect on PPWSA's profitability and financial performance.

b- Management view and risk mitigation

Due to the difficulties in obtaining approval on a tariff increase and in reducing NRW much further, PPWSA may restructure the calculation module for water consumption such as applying higher tariffs for higher block consumptions relative to the lower block consumption. PPWSA believes that this may be possible without obtaining approval from the Prime Minister, which would be required for a general tariff increase.

6.2- PPWSA requires substantial capital in order to fund its proposed investments in water treatment, transmission and distribution systems

a- Analysis

Currently, demand of clean water in Phnom Penh continues to increase because of the incorporation of other communes into the capital. To meet such increasing demand, PPWSA needs to invest in water treatment, transmission and distribution systems. Such investment, expected to begin from 2013 to 2015, will require a significant fund of around KHR 118,023,360,000 (USD 29.12 million). For this project, unlike previous ones, PPWSA may not be able to access funding at preferential rates after the IPO.

b- Management view and risk mitigation

Regarding the construction of the Niroth WTP Stage II, PPWSA has already obtained an agreement in principle from the AFD on a loan at a below market rate, with the same terms and conditions as the loan obtained to finance the construction of the Niroth WTP Stage I.

Based on the discussion and valuation, an agreement with the AFD for this new loan is expected to be finalized at the end of 2013, which will allow the project to commence as expected.

6.3- PPWSA has deposited money with or loaned monies to certain counterparties, whose default could adversely affect the company's financial position

a- Analysis

The main sources of credit risk for the company are:

- The risk of default of an institution with which it has cash deposits or short-term investments
- The risk of the Pursat Water Supply Authority defaulting on the loan advanced to it by PPWSA
- The collectability risk of its trade receivables, particularly from government entities.

b- Management view and risk mitigation

PPWSA mitigates its credit risk in respect of bank deposits by diversifying the deposits and using banks that offer best terms and conditions.

Additionally, as mentioned previously, the outstanding balance of the loan to the Pursat Water Supply Authorities is relatively small in comparison to PPWSA's total assets.

PPWSA is currently assisting Pursat Provincial Water Supply Authority in budgeting and financial management to facilitate the repayment of the loans that have been extended by PPWSA.

7- Litigation risks and contingent liabilities

7.1- PPWSA is in breach of two laws in relation to its discharge of sludge from its WTPs, and may have to incur substantial incremental capital and/or operating costs in order to address these breaches

a- Analysis

Article 6 of the Sub-Decree on the Control of Water Pollution 1999 states that “the discharge of waste water from any sources of pollution that is not consistent with the standards for effluent discharge shall be strictly prohibited”.

The table below shows an extract of the effluent standards for pollution sources that are prohibited:

| No. | Parameters | Unit | Allowable limits for pollutant substance discharging to | |
|-----|------------------------|-------|---|-----------------------------|
| | | | Protected public water area | Public water area and sewer |
| 5 | Total Suspended Solids | mg*/l | < 50 | < 80 |
| 6 | Total Dissolved Solids | mg/l | < 1,000 | < 2,000 |

* **Note:** ‘mg’ represents milligrams

Article 8 of the same Sub-Decree provides that the disposal of solid waste or any garbage or hazardous substances into public water areas or into public drainage systems is strictly prohibited. The storage or disposal of solid waste or any garbage and hazardous substances that lead to the pollution of water of the public water areas is strictly prohibited.

Article 7 of the Sub-Decree on Solid Waste Management, 1999 provides that “Discharging of waste into public places or into places not determined by the competent authority is strictly prohibited.”

PPWSA discharges the waste from the coagulation/sedimentation phase of the water treatment process, which is in the form of sludge or mud, into rivers. The sludge contains the particles (i.e. turbidity) removed in the water treatment process. This sludge contains a small residue of alum. The total suspended solids in this sludge exceed the allowable limits in the effluent standard above. Whilst no action has been taken against PPWSA in relation to the discharge of the sludge, the discharge of this sludge may give rights to legal or administrative action against the company. PPWSA may be compelled to change its processes for the disposal of sludge, which may result in PPWSA incurring substantial capital expenditure and/or higher operating costs, adversely impacting its financial position.

b- Management view and risk mitigation

In relation to the waste water which is currently being discharged into the Mekong, Tonle Sap and Bassac Rivers, there has not been any official warning from the relevant authorities ordering PPWSA to take certain action with respect to the discharge of waste water into such Rivers.

7.2- PPWSA may receive an adverse tax reassessment in respect of FY 2008 and onwards

a- Analysis

The Law on General Statutes of Public Enterprises stipulates that a public enterprise shall be subject to the tax regime under the private law which basically refers to the tax laws and regulations applicable to commercial enterprises. Under the Law on Taxation adopted in 1993 and subsequently amended in 2003, PPWSA is subject to several major taxes including profit tax, minimum tax, value added tax, salary tax, and import duties.

PPWSA is subject to the “real regime” tax system and it is required to register for tax, prepare and submit its monthly and annual tax returns to the General Department of Taxation (“GDT”). As a real regime taxpayer, PPWSA is required to self-assess its tax in accordance with the tax rate determined by the Law on Taxation and its implementing regulations, and pay such taxes to the GDT accurately and in a timely manner. In the event that PPWSA avoids or evades tax, PPWSA would be deemed to have violated the Law on Taxation and be exposed to penalties, which include payment of additional tax, interest rate on the unpaid tax, or criminal sanction on its directors, managers as well as the owners of PPWSA. This will impact on the financial position and the reputation of PPWSA.

The GDT can reassess PPWSA’s tax payments within 3 years from the date of submission of tax returns by PPWSA or within 10 years if there is evidence of an obstruction of the implementation of tax rules.

b– Management view and risk mitigation

PPWSA can request to amend a tax reassessment within 3 years from the date tax administration made the reassessment on the basis of additional information that was not available to PPWSA or tax administration at the time of the tax reassessment, or alternatively PPWSA can protest the tax reassessment or other decisions made by the tax administration to the Director of GDT within 30 days after the day PPWSA receives the letter of notification of tax collection from the tax administration. If PPWSA does not agree with a new decision of the GDT, it can make an appeal to the Committee of Tax Arbitration (which does not exist at the moment) within 60 days, and then to the competent court within 30 days after receiving the notice of decision of the Committee of Tax Arbitration.

On 12 July 2010, PPWSA received a notice from the tax auditor of the GDT to conduct a tax audit on PPWSA for its fiscal year 2008-2009. The audit was conducted on 22 July 2010. However, a report or decision by the tax administration has been made to PPWSA as to whether PPWSA had fulfilled its tax obligations or was required to provide any further information. On March 31, 2011, PPWSA’s Director General sent a letter to the Director General of GDT for sending GDT’s officer to reassess or audit the tax payment by PPWSA for fiscal year 2010. On 30 September 2011, PPWSA received the notice from the GDT informing PPWSA that the tax administration has audited PPWSA’s accounts and all operations for the fiscal years 2006 and 2007. In following, PPWSA will not be subject to any tax reassessment for such period. However, PPWSA has not received any decision or confirmation from the GDT as to whether it

would be subject to tax reassessment from GDT from 2008 onward. Nonetheless, PPWSA is of the view that it has not violated any tax provisions or avoided or evaded any tax payment to the GDT.

8- Market related risks

PPWSA as of the date of this Disclosure Document does not face any major risks in terms of market competition since PPWSA is operating as a monopoly in its market in Phnom Penh and its peripheral areas.

9- Technology related risks

a- Analysis

Since 2001, PPWSA has been using Navision Version 4.0 as a management tool and accounting system as well as invoice printing. Up to present, the Navision has been updated to Version 7.0. However, PPWSA has not yet implemented Navision Version 7.0 to its operation.

b- Management view and risk mitigation

In 2011, PPWSA planned to upgrade its Navision system to the latest version, or Version 7.0. PPWSA signed a contract for this plan on 29 December 2011 with an expense of KHR 1,547,603,760. The upgrade is expected to be finished by the end of 2012.

10- Risks related to the changes in rules and regulations

10.1- The introduction of new sub decrees requiring PPWSA to obtain licenses for waste water and sludge discharges

a- Analysis

Pursuant to the Law on Water Resources Management of the Kingdom of Cambodia which came into force on 29 June 2007 (the "Law on Water"), the use of water resources by PPWSA is subject to a license or a permit from the Ministry of Water Resources and Meteorology, and payment of relevant fees. According to Article 13 of the Law on Water, the conditions, modalities and procedures for approval, transfer, cancellation, imposition of time limitation, extension and suspension of water use licenses and the fees thereof shall be determined by the Royal Government Sub-decree. However, as of the date of this Disclosure Document, no such Sub-decree has been promulgated by the RGC.

PPWSA may become liable for licensing fees arising from wastewater discharge and for the sludge that it discharges from the WTP's into a number of natural waterways. PPWSA may also incur significant incremental operating costs in complying with any technical standards imposed

by the government on the treatment of wastewater discharge, or have to engage in substantial capital expenditures in order to comply with the standards, which may adversely affect PPWSA's financial position.

b- Management view and risk mitigation

At present, PPWSA is not aware of any move by the RGC, particularly, the Ministry of Water Resources and Meteorology to issue the Sub-decree which determines the modalities and requirements for water use license. Prior to the issuance of such Sub-decree, PPWSA is not required to apply for the water use license. When such time comes, PPWSA will use its best efforts to comply with all the relevant legal requirements.

10.2- Risk related to ownership of immovable property

a. Analysis

PPWSA received its initial capital from the RGC to carry out its business as determined by Sub-decree No.52 on **“the Establishment of Phnom Penh Water Supply Authority”**. This Sub-decree states that, “PPWSA owns all the properties listed in the inventory in the place of the State”. However, the RGC also issued a Sub-decree No.118 on the “Management of State Properties” and a Sub-decree No.129 on the “Rules and Procedures for Conversion of State Public Properties to State Private Properties” which limit the rights of a public enterprise to hold, use and dispose of the properties under its possession. An approval from MEF acting on behalf of the State as administering institution is required for the disposal of the so-called State Properties. The provisions of Sub-decree No.52 could be deemed as contravention to the provisions of Sub-decree No.118 and Sub-decree No.129.

Since the establishment of PPWSA in 1996, it gained financial and administration autonomy from the State. Despite the fact PPWSA enjoyed the full economic benefits from the properties under its possession, not all the properties in its inventory list are registered under the name of PPWSA especially the land title certificates. The registration of the properties under the name of the State or any person other than PPWSA could cause an uncertainty in terms of legal ownership of the properties and affect financial position of PPWSA if those properties cannot be regarded as the assets of PPWSA.

b. Management view and risk mitigation

The conflict among legal provisions may not have material impact on the financial position of PPWSA because PPWSA holds exclusive possession on all its immovable properties and they are properly recorded in the balance sheet as property, plant and equipment which was duly approved by the MEF every year. Furthermore, the MEF confirmed by its Prakas No. 002 dated 17 January 2012 on the “Rights and Procedures for Disposing the Assets of Listed Public Enterprises”, that the public enterprise has full ownership rights over its properties in accordance with the law.

Furthermore, PPWSA will take necessary measure to rectify its land title certificates as well as other ownership documents to ensure its compliance with the laws. For certain plots of lands, the titles can be issued when the Ministry of Land Management, Construction and Urban Planning, or its relevant department commences to issue titles to the land owners in the areas where the lands are located.

10.3- More Enforcement of Labor Laws against PPWSA subsequent to IPO

a- Analysis

Under the Law on the General Statutes of Public Enterprises and the Labor Law of Cambodia (the “Labor Law”), all employees shall respect and implement the law and regulations in effect. According to legal advisor’s inspection, PPWSA has not completely implemented some provisions in the mentioned Laws such as:

- Working hours
- Annual paid leaves
- Voting on employees’ representative
- Condition of hiring and dismissing

b- Management view and risk mitigation

PPWSA will amend its employee’s statute in accordance with Labor Law as soon as practicable after the IPO.

10.4- Risks associated with implementation of the CIFRS

a- Analysis

The financial statements of PPWSA for the year ended 31 December 2008, 2009 and 2010, and the nine-month period ended 30 September 2011 were prepared based on the CAS. The CIFRS has been issued and will be adopted for PPWSA for the financial year beginning from 1 January 2012. The implementation of the new standard may lead to changes in recording process and recognition, measurement, presentation and disclosure of certain transactions in the financial statements of PPWSA which may be challenging for accounting and finance officers to close the account of PPWSA at the end of fiscal years after the adoption of CIFRS. There can be no assurance that these changes will not have a significant impact on the future presentation of PPWSA’s financial statements or on PPWSA’s results of operations and financial position. Such changes may adversely affect the ability of PPWSA to pay dividends to shareholders.

b- Management view and risk mitigation

PPWSA is currently analyzing and studying the impact of the new standards under CIFRS to the financial statements. Please refer to the note 2 - Summary of significant accounting policies to the audited financial statements for the years ended 31 December 2010, 2009 and 2008 under section 9 of the Disclosure Document. Furthermore, key staffs of PPWSA have under gone training in preparation for the introduction and implementation of the CIFRS.

10.5- Potential obligation to comply with the corporate disclosure requirements of the SECC

a- Analysis

The SECC is intending to promulgate a Prakas on Corporate Disclosure and according to the draft version of such Prakas as of the date of this Disclosure Document (the “Prakas on Disclosure”), there are a number of disclosure obligations on listed companies that have issued their securities to the public through the CSX. As such, PPWSA, once listed, needs to submit its Periodic Reports (as defined under Article 6 of the Prakas on Disclosure) and make Timely Disclosures, Special Disclosures and Requested Disclosures to the relevant authorities and pursuant to the applicable procedures set forth in the Prakas on Disclosure. By way of illustration, the periodic reporting requirements under the Prakas on Disclosure are likely to require PPWSA to submit an annual report, including the financial statements that have been audited by an external auditor, to the SECC within ninety (90) days after the end of every financial year, and semi-annual report and quarterly report respectively that have been reviewed by an external auditor within forty five (45) days after the end of every semi-annual and thirty (30) days after the end of every quarter, unless an alternative period is determined by the Director General of the SECC.

In relation to the disclosure requirement, Article 14 of the Prakas on the Implementation of Listing Rules stipulates that CSX shall officially delist securities of a listed company in following cases:

- Where a listed company fails to submit the annual report for the latest fiscal year within three (3) months after the submission deadline determined by the SECC;
- Where the auditor’s opinion in the audit report of a listed company is adverse or disclaimed for two (2) years; or
- Where there is repetition of breaches of disclosure obligations.

In light of the foregoing, if PPWSA fails to satisfy the requirements set forth in the Prakas on Disclosure and the Prakas on the Implementation of Listing Rules without any proper waiver or exemption from the relevant authorities, its securities can be delisted after the IPO pursuant to the regulations stipulated under the aforementioned Prakas.

b- Management view and risk mitigation

PPWSA has closed its accounting for the fiscal year of 2011 and external auditor is conducting a year-end audit of PPWSA’s financials as of the date of this Disclosure Document.

11- Risks related to the changes in national and international contexts

11.1- Risk associated with the border dispute between Cambodia and Thailand

a- Analysis

The border dispute between Cambodia and Thailand over Preah Vihear Temple has led to social instabilities in the affected areas. Overall, such dispute may also potentially affect the

functioning of the financial market and the stock prices of the companies that are listed on the CSX. International conflicts and political tensions can create perceptions of greater country risk for investors, for which they require a greater premium for investing in Cambodia and equity securities that are offered by Cambodian companies. It can have an influence on the investment in Cambodia, and put a downward pressure on the prices of Cambodian equity securities as well as hindering the overall level of stock trading in the CSX.

b- Management view and risk mitigation

Currently, the tension between Cambodia and Thailand has been eased, thanks to the new government having good relationship with the RGC. Moreover, such matter has been filed to the International Court of Justice. Dispute on border may not affect to the Cambodia Financial Market.

11.2- Risks associated with disruptions in global credit and financial markets

a- Analysis

Disruptions in global credit and financial markets and uncertainty in global economic prospects may have an adverse effect on PPWSA's business and PPWSA's ability to meet its funding needs. It may also adversely affect the ability of some of PPWSA's customers to meet their payment obligations. Whilst Cambodia was previously decoupled from the global economy, its dependence on clothing exports has made it vulnerable to fluctuations in the USD, and the global economy. A global financial crisis may also adversely affect the scale of charitable donations and foreign aid which account for a substantial portion of Cambodia's national income.

b- Management view and risk mitigation

The impact from the global economy to PPWSA for funding project may be limited because the size of the ongoing project is small and the AFD has already committed to extending a soft loan directly for the Niroth II WTP project.

12- Risks related to investments in the securities

a- Analysis

a-1- Risks in relation to this issue being the first issue of the company's shares

This is the first listing of equity shares of PPWSA on the Cambodian Stock Exchange, as well as in the kingdom of Cambodia. Accordingly, there can be no assurance that the trading of PPWSA's shares will be active and/or sustained in the newly-created stock exchange or no guarantee on the price at which the shares will trade after listing.

a-2- Risks in relation to the CSX being a newly established securities exchange

The CSX is a new stock exchange. Accordingly, there is a risk that in the initial stages, notwithstanding extensive testing, there may be systems failures resulting in operational or settlement risk, especially if there are unusual events such as a market crash, or a very high volume traded on a particular day.

a-3- The trading system adopted by the CSX and regulations relating to maximum daily price changes may limit investors ability to trade at the desired price or the time they desire.

The CSX is a call market, (i.e. it is not a continuously traded market). Accordingly, if there is an imbalance between buy and sell orders, orders may remain unfilled until the next predetermined time for transactions, exposing investors to price risk during the interval.

The Prakas on the Implementation of the Operating Rules of Securities Markets provides for a daily price change limit of in effect 5%. The shares in PPWSA may open "limit up" or "limit down" for a number of days in succession, which coupled with the fact that the CSX is a call market, may result in investors not being able to trade at or near their desired price. For investors who are long on the market, wishing to sell, this may result in substantial losses if the market opens "limit down" for a number of days in succession.

a-4- The free float of the company is small, which may result in the market being inactive, and illiquid, therefore, exposing investors to high volatility and the limited ability to trade at their desired price

The free-float of PPWSA will be small. Accordingly it is likely that the market for PPWSA's shares will not always be active or liquid, resulting in high volatility. Therefore, shareholders may have to make large price concessions to either purchase shares or sell shares that they are holding. In particular, in the event that the liquidity of the market is low, investors will be unable to purchase or dispose of a large block of shares without causing substantial price movements.

a-5- Cambodia's company and securities laws are not developed, exposing investors to legal uncertainty in certain circumstances

In Cambodia, company and securities-related laws are evolving at a fast rate. PPWSA will be a listed public enterprise, as distinct from a commercial enterprise. There is a body of laws which regulate commercial enterprises, but listed public enterprises are regulated by a very limited number of laws, with relations between the company, the shareholders, and the BOD being regulated primarily by PPWSA's Articles of Incorporation. Accordingly, investors may face uncertainty and losses as a result of certain corporate or shareholder actions for which there is no regulation, or trading activities which are similarly unregulated. Furthermore, as a consequence of Cambodian legal institutions still developing:

- Conducting litigation in Cambodian courts is difficult;
- There is a high degree of discretion vested in government authorities;
- There is an absence of precedents in relation to the interpretation of the relevant rules and regulations, and a lack of administrative rulings; and
- Conflicts may exist between and within various laws

a-6- Investors who wish to transact in PPWSA's shares in USD will be exposed to exchange rate fluctuations arising from the difficulty in locating a counterparty wishing to trade in USD and the fact that bids and offers in PPWSA's shares will be quoted in KHR

By an official press release dated 10 March 2011 issued by SECC on Policy of Denominating Currency in Issuing and Trading Securities in the Cambodian Securities Market, it was announced that subscriptions in the primary market and settlement in the secondary market are to be in KHR. An exception to this rule is that for a transitional period of three years from the establishment of the stock market, settlement of trades, and subscriptions to shares can be made in US Dollars, subject to agreement between the transacting parties. Accordingly, parties wishing to transact in US Dollars will only be able to do so if they can find a counterparty who agrees to the transaction being in US Dollars. If quick execution of an order in US Dollars is required, and in particular, if the intended order is large, it may not be possible to locate a counterparty who agrees to the trade being in US Dollars. This may expose investors to currency risk, and higher transaction costs in converting US Dollars into KHR, especially as the market for KHR/USD is thin.

The settlement price for trades on the CSX will be quoted in KHR. Therefore, investors transacting in USD will be subject to exchange rate risk arising from their initial investment being in USD, but the value of the investment being quoted in KHR. USD based investors will be subject to further exchange rate risk, as a result of corporate actions such as dividend payments being denominated in KHR. Fluctuations in KHR/USD exchange rate may affect the shareholders' return.

a-7- The interests of the controlling shareholder, company, and minority shareholders may diverge

Subsequent to the IPO, the state represented by MEF will hold 85% of PPWSA's issued shares. Accordingly, PPWSA will remain a public enterprise under the Law on the General Statute of Public Enterprises.

The BOD will determine the objectives, and control the management of PPWSA. Pursuant to the Kram, "the public enterprise has its mission to enable the country's economic and social development, namely to increase the value of natural resources and to create professions". This mission is in conflict with the generally accepted goal of private companies to maximize shareholders' wealth. Therefore, the interests of shareholders may not be protected having regard to the mission stated in the Kram. For example, a tariff increase which may be in the best economic interests of the shareholders, may be politically unacceptable, and therefore rejected or reduced by the MEF, through its control of policies and management of PPWSA. Conflict may therefore arise between the Royal Government as the controlling shareholder, and the minority shareholders. Given the government shareholding, it will have the power to defeat any resolution proposed by the minority shareholders. Furthermore, PPWSA is a Public Enterprise, not a Private Enterprise, and has responsibilities to the wider society, as a result of which it has a number of corporate social responsibility programs, to which it allocates funds.

b- Management view and risk mitigation

CSX is the first securities market created in the kingdom of Cambodia. Accordingly, there shall be risks. However, the organization including legal manners, accounting system, ICT system, and management capacity, may minimize possible risks.

13- Other risks

There is no other material risk that PPWSA can reasonably foresee as of the date hereof.

SECTION 4: COMPANY'S INFORMATION

1- Business Description

a- Company background

a-1- History

a-1-1- Establishment

In 1895, the water supply system for Phnom Penh was initially established by **Compagnie des Eaux et Electricité de l'Indochine ("CEEI")**, a French water and electricity supply authority in Indochina. CEEI established the Chroy Changvar WTP with an average water treatment capacity of 15,000 m³/day as well as a water distribution pipeline of 40 km in Khan Daun Penh (currently the eastern part of Phnom Penh). During that time, the water supply in Phnom Penh was authorized to operate as a profit-oriented business in order to ensure its own financial autonomy in providing water treatment services and investment under a particular Statute of the CEEI.

In 1959, PPWSA was officially established by Royal Decree No. 164NS dated March 24, 1960 signed by King Norodom Sihanouk, the King of the Kingdom of Cambodia, as a state treatment and business unit under the direct supervision of the Phnom Penh Municipality, and was officially named "Phnom Penh Water Supply Authority". Since then, PPWSA is responsible for water treatment and supply to satisfy the demand of the population in Phnom Penh and for ensuring the balance of income and expenses in relation to its water treatment investment.

From 1959 to 1970, the water supply service and business operation of PPWSA was expanded by refurbishing and establishing new WTPs and supply networks, as described below:

- Potable Water Treatment Plant
 - In 1958, the Chamkar Mon WTP was built by DEGREMONT with a treatment capacity of 10,000 m³/day;
 - In 1959, the Chroy Changvar WTP was renovated and expanded its treatment capacity to 40,000 m³/day; and
 - In 1963, PICCHABAL established a new potable WTP at Phum Prek with a treatment capacity of 100,000 m³/day.
- Reparation and Expansion of Transmission and Water-Distribution Networks
 - In 1957, DEGREMONT installed a distribution pipeline network of 36 km;
 - In 1959, KUBOTA installed a distribution pipeline network of 32 km;
 - From 1960 to 1970, PPWSA installed a distribution pipeline network of 165 km;
 - The length of distribution of 55 km was installed but there is no supporting document; and

- By the end of 1970, PPWSA had a total distribution pipeline network of 288 km which was made up of entirely cast iron pipelines.
- Capacity Expansion of PPWSA
 - The potable water distribution pipeline network had gradually increased from 40 km in 1895 to 165 km in 1960;
 - The total treatment capacity had increased from 25,000 m³/day in 1959 to 55,000 m³/day in 1963, and 155,000 m³/day in 1969;
 - The number of customers has gradually increased;
 - The capacity to manage its customers had improved which generated considerable revenue for the business and enabled supply without external support.

a-1-2 - From 1970 to 1979

From 1970 to 1975, after the collapse of the Sangkum Reas Niyum regime at the end of 1969, Cambodia was ruled by the Khmer Republic led by Lon Nol. Both the social and economic sectors in the country eventually collapsed and their collapse was irretrievable. Various ministries and institutions were the subject of controversy, and all sectors were affected by war. Because of the political instability and insecurity, many civil servants and employees had resigned or worked inattentively. At the same time, the potable water treatment process and business of PPWSA was also adversely affected due to the inability to implement planned projects and programs. Furthermore, the plan to convert PPWSA to an autonomous national enterprise was also postponed.

On April 17, 1975, the Khmer Rouge gained full control of Cambodia and evacuated everyone from Phnom Penh to work in the agricultural sector in rural areas. At that time, there was little water production and distribution in Phnom Penh. The potable water produced was only for the consumption by a small group of the leaders of the Democratic Kampuchea. Most water treatment and distribution systems were discarded. Without utilization, repairs and maintenance, the quality of these systems quickly deteriorated, causing great difficulties for their rehabilitation after 1979.

a-1-3- From 1979 to Present

After Victory Day on January 7, 1979, the potable water sector in Phnom Penh commenced operations again under extremely difficult circumstances as the technicians, tools, materials and technical documents had been almost entirely destroyed by the Democratic Kampuchea. In these difficult circumstances, PPWSA has, with great effort, achieved the following:

a-1-3-1- Potable Water Treatment Process

- Chroy Changvar WTP
 - In 1983, after limited repairs, this plant again commenced operation with a production capacity of 40,000 m³/day.

- However, in 1984, because of the lack of resources to effect repairs and adequate electricity, the operation of the plant was completely halted;
- Chamkar Mon WTP
 - After Victory Day, this plant was still not operational.
 - In 1989, with financing from the former Soviet Union, this plant commenced operation again with a production capacity of 8,000 m³/day, compared to its initial capacity of 10,000 m³/day.
 - In 1995, with the first phase of the grant aid from the French Government, the production capacity of the plant increased to 10,000 m³/day.
 - In 1997, with the second phase of the grant aid from the French Government, the treatment capacity of this plant reached 20,000 m³/day.
- Phum Prek WTP
 - On January 25, 1979, because of a shortage of spare parts and electrical power, this plant was only able to produce 50,000 m³/day of water, compared to its initial capacity of 100,000 m³/day. With financing from the former Soviet Union, technical assistance from the Socialist Republic of Vietnam and OXFAM, and input from PPWSA, the production capacity of this plant increased to 55,000 m³/day.
 - In 1995, with grant aid from the French and Japanese Governments, the production capacity of this plant was restored to its original capacity of 100,000 m³/day.
 - In 2003, with grant aid from the Japanese Government, the production capacity of this plant reached 150,000m³/day.
 - Currently, with technical innovation made by PPWSA's technicians and innovation by the management, this plant is able to produce up to 170,000 m³/day, which is greater than the WTP's initial capacity of 100,000 m³/day.
- Potable Water Distribution System
 - By 1993, PPWSA had a potable water pipeline distribution network with a total length of 288 km. This pipeline network consisted of pipes with diameters varying from 60 mm to 700 mm. The networks were in poor condition at the end of the Democratic Kampuchea regime. Because of a lack of budget for repairs, maintenance and replacement, the potable water distribution system gradually deteriorated. This factor contributed to the rate of water loss in 1993 amounting to 72% of the total water production.
- Customer Situation from 1993 to Present
 - At the end of 1993, PPWSA had a total of 26,881 customers, more than 60% of whom did not pay water bills because many customers appearing in PPWSA's records could not be reached whilst others had no access to water.
 - The existing connections to a majority of households were damaged or usable connections could not be found.

- The number of customers had increased to 202,929 at the end of 2010 on the back of various measures, including the launch of campaign to investigate water consumers in Phnom Penh in 1994, an investigation to rectify customer lists, the promotion of meter installation for all networks, and improvements to water supply services to customers.

a-1-3-2- Financial Position

After Victory Day, the government, decided to supply water to people free of charge. In these circumstances, PPWSA had to rely entirely on the national budget for financing. The budget allocation was insufficient for maintaining production and distribution systems. In 1983, PPWSA began charging service fees for its water supply and introduced the first autonomous economic governance in 1991. As the rate of bill collection was less than 50%, this autonomous economic governance failed and PPWSA returned to being an administrative unit relying on the national budget through the Phnom Penh Municipality for financing.

On July 27, 1993, Cambodia had a general election with the support of the United Nations. The newly formed Royal Government without participation from the Khmer Rouge was internationally recognized. On September 11, 1993, H.E. Ek Sonn Chan was appointed as the Director General of PPWSA. He introduced new reforms. As PPWSA was a priority of the Royal Government, it subsequently received aid from friendly countries.

Since then, the management of PPWSA has undergone substantial change. Production and distribution systems have been continuously improved and the technical skills of the employees have been upgraded. In addition, the rate of bill collection has increased to more than 99% since 2003 and the rate of NRW has been less than 10% since 2005. These features have made PPWSA a model water supplier in the global water supply industry. Because of these results, PPWSA was granted the “Water for All” Award from the ADB in 2004 and the Stockholm Industry Water Award in 2010. In addition, H.E. Ek Sonn Chan received the “Ramon Magsaysay” Award, in 2006. In 2010, the French President honored H.E. Ek Sonn Chan with the “Chevalier dans l’ordre de la legion d’honneur”.

a-2- Enterprise and Organizational Structure Reforms and Human Resources Development

a.2-1- Enterprise Reform

PPWSA was established by Sub-Decree No. 52 dated December 19, 1996. PPWSA was a public enterprise with economic characteristics and a legal entity with administrative and financial autonomy, governed by Royal Kram No.0696/03 dated June 17, 1996 on the General Statute of Public Enterprise. At that time, PPWSA was under the guardianship of the Phnom Penh Municipality whose representative was the Chairman of the BOD of PPWSA.

Pursuant to Sub-Decree No. 14 dated May 24, 2004, the technical guardianship of PPWSA was transferred to the MIME and all duties of the Phnom Penh Municipality were transferred to the MIME. The Representative of the MIME became the Chairman of the BOD and the representative of the Phnom Penh Municipality became a Director of the Board.

On November 30, 2004, the Minister of the MIME issued the Prakas No. 802 on the “Transfer of Kandal Provincial Water Supply Authority to be under the Direct Authority of PPWSA”. Under this Prakas, the Kandal Provincial Water Supply Authority, which had been under the management of the Kandal Provincial Department of Industry, Mines and Energy, was placed under the direct management of PPWSA.

a-2-2- Organizational Structure Reform

In accordance with Phnom Penh Municipality No. 780D/19, from May 1992 to 1994, PPWSA had:

- A Chairman and a number of Vice-Chairmen. The Chairman was responsible for managing PPWSA and had reporting obligations toward the Phnom Penh Municipality;
- 354 civil servants and 138 contract employees;
- 5 offices and 3 plants.

From 1995 to 1996, the above organizational structure was replaced by an organizational structure in compliance with Decision No. 85 dated April 10, 1995 of the Phnom Penh Municipality, which consisted of the following:

- A Chairman appointed by the delegate of the RGC in charge of the Phnom Penh Municipality. The Chairman was responsible to the Phnom Penh Municipality in carrying out his/her tasks.
- Up to 4 Vice-Chairmen, who were directly responsible to the chairman and indirectly responsible to the Governor of Phnom Penh;
- A total of 355 civil servants and 84 contract employees;
- A Cabinet of the Director, one Internal Audit and one Inspection Office with 9 offices and two plants (Prek Village and Chamkar Mon).

After PPWSA became an autonomous unit, a new organizational structure, was introduced and approved by and during the 1st meeting of the BOD of the 1st Mandate on September 10, 1997, and comprised of:

- 7 Directors of the Board appointed by Sub-Decree;
- A Director General appointed by Sub-Decree, who was in charge of the daily management of PPWSA. The BOD delegated the power necessary to the Director General for managing the day to day operations of PPWSA in accordance with the resolutions of the BOD;
- 401 employees (excluding the Director General and Chief of Accounting Department) and 10 contractual employees;
- Employees and offices under the supervision of the respective departments:
 - Deputy Director Generals and 4 assistants to the Director General;
 - A Secretariat which had 7 employees;
 - Office of Inspection and Dispute Resolution which had 8 employees;
 - A Department of Techniques and Projects which had 2 offices with 33 employees;
 - A Department of Water Production and Distribution which had 2 offices and 3 plants with 131 employees;
 - A Department of Commercial which had 4 offices with 150 employees;

- A Department of Administration and Human Resources which had 3 offices with 34 employees;
- A Department of Accounting and Finance which had 3 offices with 34 employees.

From 1998 to 2000, PPWSA had a total number of 477 employees (excluding the BOD):

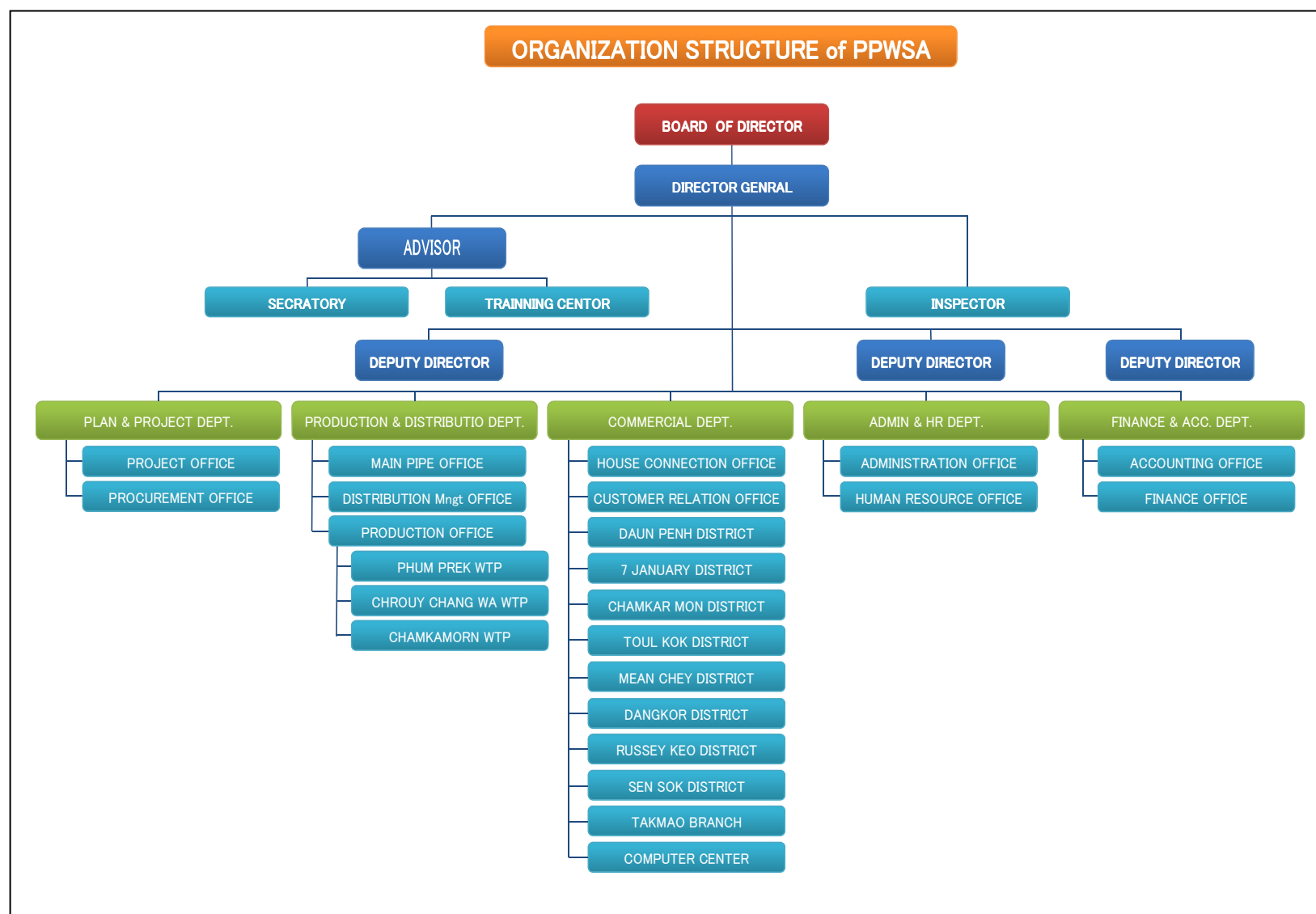
- 6 Members of the BOD;
- A Director General;
- Deputy Director Generals and 4 Assistants to the Director General;
- A Secretariat with 7 employees;
- An Office of Inspection and Dispute Resolution with 13 employees;
- A Department of Technique and Projects with 3 offices and 36 employees;
- A Department of Water Production and Distribution with 3 offices and 3 plants, which had 157 employees;
- A Department of Commercial with 4 offices and 194 employees;
- A Department of Administration and Human Resources with 3 offices and 30 employees;
- A Department of Accounting and Finance with 3 offices and 35 employees.

The below table shows the number of civil servants – employees and number of offices of PPWSA for the year 2001 to September 2011:

| Year | Board of Directors* | General Director | Secretariat | Inspection | Dept of Planning and Projects | | Dept of Water Production and Distribution | | Department of Commercial | | Dept of Administration and Human Resources | | Dept of Accounting and Finance | | Total |
|-----------|---------------------|-----------------------|-------------|------------|-------------------------------|--------|---|--------|--------------------------|--------|--|--------|--------------------------------|--------|-------|
| | | Vice General Director | | | Supervised Offices | Number | Supervised Offices | Number | Supervised Offices | Number | Supervised Offices | Number | Supervised Offices | Number | |
| 2001 | 6 | 4 | 5 | 12 | 3 | 65 | 4 | 132 | 4 | 196 | 3 | 37 | 3 | 39 | 490 |
| 2002 | 6 | 5 | 5 | 13 | 3 | 87 | 4 | 125 | 4 | 211 | 3 | 37 | 3 | 41 | 524 |
| 2003 | 6 | 5 | 4 | 13 | 3 | 55 | 5 | 158 | 7 | 204 | 3 | 39 | 3 | 45 | 523 |
| 2004 | 6 | 4 | 5 | 8 | 3 | 39 | 5 | 208 | 10 | 207 | 3 | 43 | 3 | 47 | 561 |
| 2005 | 6 | 5 | 8 | 8 | 3 | 36 | 3 | 195 | 10 | 209 | 2 | 43 | 2 | 46 | 550 |
| 2006 | 6 | 5 | 8 | 7 | 2 | 28 | 3 | 199 | 10 | 216 | 2 | 59 | 2 | 41 | 563 |
| 2007 | 6 | 5 | 8 | 7 | 2 | 31 | 3 | 203 | 10 | 216 | 2 | 57 | 2 | 38 | 565 |
| 2008 | 6 | 5 | 7 | 7 | 2 | 34 | 3 | 210 | 11 | 234 | 2 | 57 | 2 | 38 | 592 |
| 2009 | 6 | 5 | 7 | 7 | 2 | 31 | 3 | 211 | 11 | 245 | 2 | 59 | 2 | 37 | 602 |
| 2010 | 6 | 5 | 7 | 2 | 2 | 31 | 3 | 216 | 12 | 246 | 2 | 58 | 2 | 35 | 600 |
| Sept - 11 | 6 | 5 | 7 | 2 | 2 | 30 | 3 | 219 | 12 | 245 | 2 | 60 | 2 | 34 | 602 |

* **Note:** Board of Directors doesn't include the Director General

Organization Structure of Phnom Penh Water Supply Authority



The 5 departments and units under the supervision of PPWSA have the following major roles:

- **Secretariat** is the direct secretary to the Director General and is responsible for all information, documentation and assisting the activities of the BOD;
- **Inspection and Dispute Resolution** is the supporting office to the Director General and its duties include researching, inspecting, and recording the consumption of potable water and settling claims lodged by customers regarding the consumption of potable water;
- **Department of Planning and Technique** is the supporting department the Director General and is responsible for the following:
 - Preparing the operational and annual investment plans of PPWSA to be submitted for adoption by the BOD through the Director General;
 - Preparing short-term, medium-term and long-term plans;
 - Preparing statistics and all business and financial indicators;
 - Preparing and managing development plans of PPWSA, including budget plans and foreign financial resources;
 - Studying civil engineering plans, investment plans relating to the installation of water distribution pipelines and inspecting these plans;
 - Managing procurement activities that utilize PPWSA's internal resources and foreign financial resources.
- **Department of Water Production and Distribution** is the supporting department to the Director General and its duties include the following:
 - Managing the implementation of all water treatment and supply plans in accordance with the technical standards and programs;
 - Maintaining, repairing and installing valves and main water transmission networks in accordance with the annual plan;
 - Installing, maintaining, and repairing the electrical system for the water treatment facilities and all electrical equipment for the administration office;
 - Reducing water losses.
- **Department of Commercial** is the supporting department the Director General, and its duties include:
 - Preparing, managing and ensuring the security of customers' accounting documents;
 - Managing bill collections;
 - Inspecting and analyzing water consumptions of the customers in order to reduce water losses;
 - Managing and implementing technical tasks relating to household connections.

- **Department of Administration and Human Resources** is the supporting department the Director General and its duties include general administration, security, safety, protocol and human resources management and the preparation of short, medium and long term employment plans and human resources development.
- **Department of Accounting and Finance** is the supporting department the Director General and its duties include the following:
 - Controlling the implementation of PPWSA's accounting rules and procedures in accordance with the applicable accounting laws;
 - Organizing and controlling the operation of PPWSA's accounting system;
 - Analyzing and reporting on the financial position and variances of financial performance to the Director General and the management on a regular basis;
 - Advising the management on any business operation which is in violation of the accounting and financial principles of PPWSA as determined by the Prakas of the MEF.

a-2-3- Human Resources Development

Based on its requirements for human resources development to improve work quality and efficiency, PPWSA prepared precise plans in cooperation and with the support from various international lenders/donors such as JICA, WB and ADB, which enabled PPWSA to do the following:

- Organize a training center which has been operational since 1997 under the following principles:
 - Setting the requirements for employees to attend vocational training courses;
 - Seeking trainers from various institutes in Cambodia and abroad for vocational training of PPWSA's employees; and
 - Cooperating with donors to request and send employees abroad for necessary vocational training courses.
- The training center has been fully operational since 1997 and has recruited trainers to provide vocational training to non-executive/working level employees. It has focused on practical training (i.e. training in Standard Operating Procedures "SOP").
- Since 2005 to present, revise the employee evaluation criteria based on quarterly performance.
- In June 2007, PPWSA prepared an annual examination to be taken by employees and office chiefs to test their capabilities.
- Prepare in a transparent manner, a formal procedure for promotions, salary rankings, salary increment, and annual incentives based on the results of the annual examination as well as the performance evaluation.

b- Business strategies including competitive strengths in the market and future plan

b-1- Vision

PPWSA is committed to the sustainable development of its potable water supply services, as well as providing services as a consultant and facilitator in order to ensure people in the other cities and provinces of Cambodia have access to potable water. PPWSA is also committed to assisting other developing countries to supply potable water to their people.

b-2- Mission

The mission of PPWSA is to ensure the supply of clean potable water 24 hours per day, 7 days per week, with adequate water pressure and at a reasonable price to the people of Phnom Penh and the urban areas of the Kandal province adjacent to Phnom Penh whilst also considering the needs of those people living in poverty. In addition, PPWSA has been sharing its experience with some provincial-city water authorities in the Kingdom of Cambodia, as well as in the region and the rest of the world.

b-3- Business strategy and competition in market

b-3-1- To expand the supply of water to Phnom Penh's peripheral areas at the same rate and to the same standard as in Phnom Penh

Up to 2020, PPWSA's strategic plan is to expand its water treatment capacity and distribution system based on a study in the Master Plan on Supplementary Supply of Water in Phnom Penh (second step). The final report of this study was published in February 2006 with the support from JICA and MIME (Master plan).

PPWSA has a precise strategy to expand its water distribution network in parallel with its expansion of treatment capacity. PPWSA targets to expand its coverage in areas with high potential for economic growth but at the same time without neglecting the poor population.

b-3-2- To increase effectiveness and work efficiency of staff and to continue to build the organization's structure

A number of opportunities have been identified for improving PPWSA's capabilities in its operation, maintenance, project management, development management, database management and analysis. PPWSA intends to use all necessary measures to improve its capabilities in the aforementioned areas.

PPWSA intends to enlarge information system and information technology capabilities for a full use of "Navision information management system" which forms the basis of its information technology.

b-3-3- To analyze cost trend and operational reform and procedure of reduction in cost of water treatment

The main strategic goal of PPWSA is to continue the improvement in respect of reduction in cost of water, whilst maintaining the quality of the supplied water.

PPWSA will continue its analysis, to a certain extent, on initial cost saving by reducing electricity cost and by investment in technology for water treatment and purification.

b-3-4- To compete with the most efficient potable water supply entities in the world

PPWSA will pay attention to management and reduction of water losses by executing the practical strategies and tactics, plus a number of modern technologies in order to reduce water losses to a minimum average as in Japan and Singapore.

b-3-5- To maintain a strong commitment to social and environmental responsibility

In order to participate in social responsibility, PPWSA has created a program called “Water for All” in its distribution of potable water to people. This program has commenced since 1999 when PPWSA succeeded in deriving profit, and when there was a substantial decline in NRW. Under this program, poor communities are provided with clean water along with payments in installments and subsidies to connection fees.

The subsidy is determined by a score-based system, having regard to the following factors:

- Household status 40 points
- Housing conditions 30 points
- Assets 10 points
- Ability to generate revenue 10 points
- Ability to receive social benefit 10 points

Based on this score which poor applicants receive, having regard to the above factors, and an evaluation by a project committee of PPWSA, poor clients are classified into one of 4 classes as follows:

- The first class applicants are those with the highest score and are the poorest who receive the connection to the water supply free of charge, with the entire connection fee being funded by the Social Interest Fund;
- The second class applicants receive a connection fee discounted by 70%, with the balance of 30% payable together with their installments over either 12, 17 or 22 months. This 70% discounted portion of the connection fee is provided through the social commitment activities of PPWSA;
- The third class applicants receive a connection fee discounted by 50%, with the balance of 50% payable together with their installments over either 12, 17 or 22 months. The 50% discounted portion of the connection fee is provided through the social commitment activities of PPWSA; and

- The fourth class applicants receive a connection fee discounted by 30%, with the balance of 70% payable together with their installments over either 12, 17 or 22 months. The 30% discounted portion is provided through the social commitment activities of PPWSA.

In addition, a household that consumes no more than 7 m³ per month, is only obliged to pay 550 Riel/m³, equivalent to 60% of the real cost of water supplied.

From the commencement of the program until the end of 2010, PPWSA had provided potable water to 21,552 poor households out of which 10,798 households have been provided with subsidies, requiring total amount of KHR 2,280,217,800 (US\$ 562,600).

Through this program, PPWSA is using all its effort to provide potable water to the poor communities and the communities that have moved outside Phnom Penh. The ability to do this work is based on the water pressure that can be delivered to the relevant area, the distance from the main pipeline to the targeted communities and the financial donation from development partners such as Paris Municipal School (Marie de Paris), the International Associations of Francophone Municipal (Association Internationales des Maires Francophones) and the WB.

b-4- Future plan

To achieve the above visions, PPWSA plans to do the following:

- Institutional and human resources development
 - Regularly improve the capabilities and quality of its employees through training, with a particular focus on the management staff;
 - Achieve 2.5 employees per 1,000 customers within the next 5 years;
 - Establish branches to provide both domestic and international support services relating to the supply of water within the next 3 years.
- Facilities and equipment improvement
 - All facilities and technical equipment must be of the appropriate technology with respect to quality and efficiency.
- Service and work efficiency indicator: The following goals / standards / objectives have been adopted:
 - Potable Water Service Coverage in Phnom Penh: 100% by 2020
 - Rate of Operation: less than 40%
 - Collection Rate: not less than 99%
 - NRW Rate: 5%
 - Average tariff for Water Consumption: KHR 1,000/m³.

c. Company's main products

c-1- Details of products of the company

PPWSA's main product is water. It produces and supplies potable water to commercial and residential consumers in Phnom Penh and the surrounding areas by treating raw water from the rivers.

c-1-1- Process of potable water treatment

Currently, PPWSA has the capacity to produce 330,000m³/day of potable water, compared to its initial capacity at 300,000m³/day in 2010, through 3 WTPs:

- Phum Prek WTP: 170,000m³/day
- Chroy Changva WTP: 140,000m³/day
- Chamkar Mon WTP: 20,000m³/day

Daily potable water treatment and supply is based on the water consumption of the population within the service area. This demand may vary with seasonal and weather related factors. The management of each plant's operation is based on the water demand and the economic efficiency of each plant. This explains the utilization rate of each plant not being uniform.

The following table shows the average daily volume of potable water treatment in 2011:

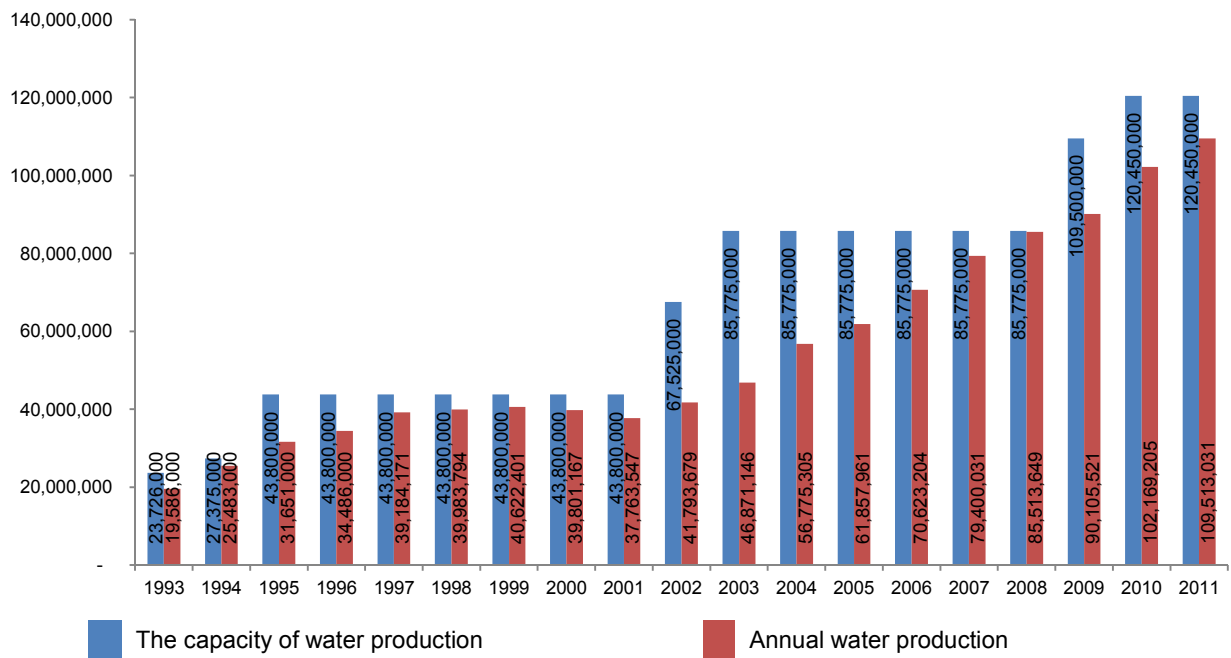
(Unit: m³/day)

| Water treatment plant | Capacity | Average volume of water treated | Rate of Operation |
|-----------------------|----------------|---------------------------------|-------------------|
| Phum Prek | 170,000 | 144,921 | 85% |
| Chroy Changva | 140,000 | 141,528 | 100% |
| Chamkar Mon | 20,000 | 13,586 | 68% |
| Total | 330,000 | 300,036 | 94% |

In sum, the production chain of all WTPs under control of PPWSA is divided into three

Revolution of water production from 1993 to 2011

(Unit: m³)



PPWSA's water treatment process is divided into three phases:

- Raw Water Intake Tower (pumping river water, which is the raw water source to the water WTPs)
- Water Treatment Plant
- Potable water pumping station

Raw Water Intake Tower

The Intake Tower pumps raw water from the source (river) through the main transmission pipelines to the WTP. The Phum Prek WTP pumps water from the Tonle Sap River, the Chroy Changva WTP pumps water from the upper Mekong River and the Chamkar Mon WTP pumps water from the Tonle Bassac River. The pumping stations for the Phum Prek WTP and the Chroy Changva WTP were built from concrete and have fixed locations in the rivers, whereas the pumping station for the Chamkar Mon WTP is a floating station.

In general, the water level of the three rivers varies with the seasons. The annual water level of each river is different being dependent mainly on weather conditions and the Mekong water currents.

The following table summarizes the historic water levels of the three rivers:

(Unit: m)

| River | 2010 | | 2009 | | 2008 | | 2007 | | 2006 | |
|--------------|------------|--------------|------------|--------------|------------|--------------|------------|--------------|------------|--------------|
| | Dry season | Rainy season | Dry season | Rainy season | Dry season | Rainy season | Dry season | Rainy season | Dry season | Rainy season |
| Mekong | 2.19 | 8.37 | 2.06 | 9.64 | 2.05 | 9.13 | 2.27 | 9.98 | 2.26 | 10.10 |
| Tonle Bassac | 2.09 | 8.27 | 2.01 | 9.54 | 1.95 | 9.03 | 2.17 | 9.88 | 2.16 | 10.00 |
| Tonle Sap | 1.55 | 8.38 | 2.03 | 9.62 | 1.88 | 8.93 | 1.72 | 9.63 | 1.95 | 10.10 |

The above table shows the water levels of the rivers from 2006 to 2010. PPWSA is not in a position to provide any assurance that these water levels will persist or that these levels will not fluctuate significantly in the future.

Water Treatment Plant

The raw water treatment system is divided into 6 stages: (1) receiving basin, (2) stirred basin, (3) flocculation basin, (4) sedimentation basin, (5) filtration basin and (6) clean water reservoir. Treating raw water (raw water from the river) to clean water requires the use of various chemical substances such as alum, lime and chlorine. Each substance has different functions in treatment of the water:

- **Alum:** Agglomerates small particles of sediments into larger heavier particles that can be settled out of the water as sediment at the bottom of the tank. These small particles consist of clay, alluvial soil, organic chemical substances and other wastes from the treatment process, as well as other small organic substances.
- **Lime:** increases the pH of the water, by lowering the acidity of the water.
- **Chlorine:** kills bacteria and viruses, and eliminates other biological substances (such as algae) from the water.

PPWSA has conducted studies and tests on the use of chemicals named Poly Aluminum Chloride (PAC) for the purpose of substituting alum and lime with PAC. PAC has a better technical and economic performance and it will be used in PPWSA's operations from 2012.

The potable water treatment process has the following steps:

- First, the raw water from the source river is pumped by the pumping station to a receiving basin. In the receiving basin, which is the starting point of the treatment process, chemical substances including alum, lime and chlorine are poured into the water. The water flows into the stirring basin. In the stirring basin, the chemical substances are combined with the water by a high speed agitator, or by changes in the speed of the water flowing in the basin. After being stirred, the water flows to the flocculation basin used for agglomerating turbidity. This basin is equipped with a low speed agitator in order to promote the turbidity colliding and agglomerating to form a larger particle.

- In the sedimentation basin, large particles formed from the agglomerated turbidity drain into the basin's bed and flow into filtration basin. The smaller particles (turbidity) do not drain into the filtration basin, as the turbidity level of water flowing into this basin must be between 4 to 8 NTU.
- The filtration basin acts as a filter that refines or filters out small pieces of turbidity remaining in the sedimentation basin and removes the rubbish flowing over the water. In this process, small pieces of moss are also filtered out.
- Water flowing out of the filtration basin must have a turbidity level of less than 5 NTU. The water flowing out of this basin is injected with chlorine for one more time to eliminate viruses and any remaining algae, and to destroy viruses that may remain in the distribution lines, and in particular within water equipment at homes, such as water basins and taps. The addition of chlorine is checked in order to ensure the level of chlorine in the potable water is acceptable. The potable water from the drain-ditching basin is transferred to storage in a reserve basin and then pumped from the reserve basin into the distribution system.
- Because the hourly demand for water fluctuates, the clean water reservoir in the plant controls/balances the quantity of treated water available to meet demand, by acting as a buffer. The capacities of clean water reservoirs at each plant are as follows:
 - Phum Prek WTP: 25,000 m³
 - Chroy Changva WTP: 25,000 m³
 - Chamkar Mon WTP: 1,500 m³

Potable water pumping station

The Intake Tower delivers potable water to the water distribution network. This station is equipped with motors and other control systems, as well as an automatic water pressure control system for assuring stability of water supply.

Chemicals and electricity are the main expenses of PPWSA's water treatment process, with electricity representing a higher portion of these expenses.

The following table shows average electricity consumption per m³ of water treated in the three plants:

(Unit: (W/m³))

| WTP | Electricity quantity | Date |
|---------------|----------------------|------|
| Phum Prek | 260 | 2011 |
| Chroy Changva | 269 | 2011 |
| Chamkar Mon | 282 | 2011 |
| Total | 265 | |

The volume of chemicals used in the water treatment process is dependent on the quality of the source river water. The lower the quality of the river water the higher the quantity of chemicals required to treat the water to the standard of the World Health Organization (WHO) and the Cambodian national standard.

The following table shows the historic volume of chemicals used in the treatment of water. As has been stated, the quantity of chemicals used to treat the water depends on the quality of the raw water feedstock. The quality of the raw water from the rivers is subject to a number of complex factors. Furthermore PPWSA is proposing to substitute the use of alum and lime with PAC to some degree. Accordingly, the actual usage of the chemicals in the future may differ significantly from the historical usage of the chemicals.

(Unit: g/ m³)

| Description | 2011 | 2010 | 2009 | 2008 |
|-------------|-------|-------|-------|-------|
| Alum | 17.20 | 14.07 | 17.28 | 22.68 |
| Lime | 2.20 | 1.71 | 1.10 | 4.52 |
| Chlorine | 1.98 | 2.14 | 2.06 | 2.34 |

Water from the upper Mekong River, which is the source for the Chroy Changva WTP, is of a higher quality than the water sourced from the Tonle Sap River and the Tonle Bassac River. As a result, the Chroy Changva WTP uses smaller amounts of chemicals per m3 of potable water produced than the other two WTPs.

The following table shows the turbidity and pH of turbid water pumped from the river source and potable water produced by the three WTPs:

- Quality of turbid and potable water of Chroy Changva WTP

| Measure of water quality | | 2010 | | 2009 | | 2008 | | 2007 | | 2006 | |
|--------------------------|---------------|------|------|------|------|------|------|------|------|------|------|
| | | Dry | Rain | Dry | Rain | Dry | Rain | Dry | Rain | Dry | Rain |
| Turbidity (NTU) | Turbid Water | 16 | 201 | 25 | 188 | 30 | 258 | 22 | 208 | 18 | 169 |
| | Potable Water | 0.62 | 0.66 | 1.04 | 0.70 | 0.29 | 0.58 | 0.16 | 0.23 | 0.15 | 0.21 |
| pH | Turbid Water | 8.12 | 7.86 | 8.04 | 7.62 | 7.74 | 7.38 | 7.87 | 7.50 | 7.73 | 7.38 |
| | Potable Water | 7.75 | 7.44 | 7.71 | 7.19 | 7.34 | 7.17 | 7.41 | 7.20 | 7.36 | 6.94 |

- Quality of turbid and potable water of ChamKar Morn WTP

| Measure of water quality | | 2010 | | 2009 | | 2008 | | 2007 | | 2006 | |
|--------------------------|---------------|------|------|------|------|------|------|------|------|------|------|
| | | Dry | Rain | Dry | Rain | Dry | Rain | Dry | Rain | Dry | Rain |
| Turbidity (NTU) | Turbid Water | 27 | 168 | 156 | 215 | 107 | 320 | 134 | 350 | 77 | 327 |
| | Treated Water | 1.64 | 1.05 | 2.29 | 1.10 | 1.72 | 1.05 | 1.02 | 1.70 | 0.56 | 1.61 |
| pH | Turbid Water | 7.23 | 7.45 | 7.20 | 7.32 | 7.17 | 7.36 | 7.25 | 7.28 | 7.56 | 7.47 |
| | Treated Water | 6.87 | 7.06 | 7.77 | 6.89 | 6.85 | 6.93 | 6.94 | 7.00 | 7.11 | 7.03 |

- Quality of turbid and potable water of Phum Prek WTP

| Measure of water quality | | 2010 | | 2009 | | 2008 | | 2007 | | 2006 | |
|--------------------------|---------------|------|------|------|------|------|------|------|------|------|------|
| | | Dry | Rain | Dry | Rain | Dry | Rain | Dry | Rain | Dry | Rain |
| Turbidity (NTU) | Turbid Water | 80 | 110 | 112 | 146 | 84 | 169 | 64 | 174 | 65 | 186 |
| | Treated Water | 0.84 | 0.48 | 1.44 | 0.75 | 0.62 | 0.69 | 0.61 | 0.49 | 0.77 | 0.33 |
| pH | Turbid Water | 7.11 | 7.33 | 7.11 | 7.24 | 7.03 | 7.22 | 7.07 | 7.21 | 7.29 | 7.34 |
| | Treated Water | 6.96 | 7.06 | 6.75 | 6.88 | 6.82 | 7.00 | 6.88 | 6.98 | 7.04 | 6.97 |

The Niroth WTP, which is being constructed, sources its raw water feedstock from the lower Mekong River. The water quality from this river is a combination of the water quality of upper Mekong River and Tonle Sap. Therefore, in the rainy season, the lower Mekong River receives water from the upper Mekong River and in dry season, it receives water from both the upper Mekong River and Tonle Sap. It is expected that the chemical consumption of this plant will be similar or a little greater than that of the Chroy Changvar WTP.

The treated water supplied by PPWSA complies with the drinking water standards of the WHO and national drinking water standards. PPWSA tests the quality of the water which has been treated, three times a day at the WTPS and tests 80 water samples per week at other points in the networks. Besides, the annual report on water quality of PPWSA issued by the laboratories in Singapore and Shanghai could confirm the quality of the portable water.

The chart below shows quality of the water produced by PPWSA in comparison to national and WHO drinking water standard in 2010:

| No. | Parameters | unit | National drinking water standard | WHO drinking water standard | PPWSA |
|-----|------------------------|------|----------------------------------|-----------------------------|----------|
| 1 | Taste | | Response | Response | Response |
| 2 | Odour | | Response | Response | Response |
| 3 | Color | TCU | 5 | 15 | 1.25 |
| 4 | Turbidity | NTU | 5 | 5 | 0.69 |
| 5 | Residual Chlorine | Mg/l | 0.2-0.5 | 0.1-1.0 | 0.83 |
| 6 | pH | | 6.5-8.5 | 6.5-8.5 | 7.89 |
| 7 | Total Dissolved Solids | Mg/l | 800 | | 86 |
| 8 | Arsenic | Mg/l | 0.05 | 0.01 | <0.001 |
| 9 | Iron | Mg/l | 0.3 | 0.1-0.3 | 0.01 |
| 10 | Manganese | Mg/l | 0.1 | 0.05-0.5 | 0.003 |
| 11 | Nitrate | Mg/l | 50 | 5.0-50 | 6.11 |
| 12 | Chlorous | Mg/l | 250 | 25-250 | 23.5 |
| 13 | Sulphate | Mg/l | 250 | 25-250 | 19.4 |

| No. | Parameters | unit | National drinking water standard | WHO drinking water standard | PPWSA |
|-----|---------------------------|------|----------------------------------|-----------------------------|--------|
| 14 | Ammonia | Mg/l | 1.5 | 0.05-0.5 | 0.042 |
| 15 | Hardness | Mg/l | 300 | 100 | 68 |
| 16 | Aluminum | Mg/l | 0.2 | 0.05-0.2 | 0.038 |
| 17 | Barium | Mg/l | 0.70 | 0.70 | 0.032 |
| 18 | Cadmium | Mg/l | 0.003 | 0.003 | 0.0001 |
| 19 | Chromium | Mg/l | 0.05 | 0.05 | 0.01 |
| 20 | Cyanide | Mg/l | 0.07 | 0.07-1.0 | 0.0001 |
| 21 | Fluorine | Mg/l | 1.5 | 0.1-1.5 | 0.11 |
| 22 | Lead | Mg/l | 0.01 | 0.01 | 0.0001 |
| 23 | Mercury | Mg/l | 0.001 | 0.001 | 0.0001 |
| 24 | Nickel | Mg/l | 0.02 | 0.02 | 0.001 |
| 25 | Nitrite | Mg/l | 3 | 1.0-3.0 | 0.013 |
| 26 | Selenium | Mg/l | 0.01 | 0.01 | 0.001 |
| 27 | Polychlorinated Biphenyls | Ug/l | 0.5 | 0.5 | <0.5 |
| 28 | Benzene | Ug/l | 1 | 1 | <0.5 |
| 29 | Trihalo Methanes | Ug/l | 250 | 250 | 31 |
| 30 | 2,4-D | Ug/l | 30 | 30 | <0.1 |
| 31 | Aldrin and Dieldrin | Ug/l | 0.3 | 0.3 | <0.01 |
| 32 | Cabofuran | Ug/l | 10 | 10 | <0.1 |
| 33 | Chlordane | Ug/l | 0.2 | 0.2 | <0.1 |
| 34 | DDT | Ug/l | 20 | 20 | <0.1 |
| 35 | Dichlorvos | Ug/l | 1 | 1 | <0.1 |
| 36 | Dimethoate | Ug/l | 6 | 6 | <0.1 |
| 37 | Endosulfan | Ug/l | 30 | 30 | <0.1 |
| 38 | Endrin | Ug/l | 0.6 | 0.6 | <0.1 |
| 39 | Glyphosate | Ug/l | 10 | 10 | <1 |
| 40 | Heptachlor | Ug/l | 0.3 | 0.3 | <0.03 |
| 41 | Hexachlorobenzene | Ug/l | 1 | 1 | <0.1 |
| 42 | Methyl parathion | Ug/l | 0.3 | 0.3 | <0.1 |
| 43 | Mevinphos | Ug/l | 5 | 5 | <1 |
| 44 | Monochrotophos | Ug/l | 1 | 1 | <0.1 |
| 45 | Paraquat | Ug/l | 30 | 30 | <0.1 |

| No. | Parameters | unit | National drinking water standard | WHO drinking water standard | PPWSA |
|-----|-----------------|-----------|----------------------------------|-----------------------------|-------|
| 46 | Parathion | Ug/l | 10 | 10 | <0.1 |
| 47 | Péméthrin | Ug/l | 20 | 20 | <0.1 |
| 48 | Sodium | Mg/l | 200 | 200 | 10.7 |
| 49 | Hydroge Sulfide | Mg/l | 0.05 | 0 | 0.002 |
| 50 | Zinc | Mg/l | 3 | 0.5-3.0 | 0.05 |
| 51 | Copper | Mg/l | 1 | 0.02-1.0 | 0.02 |
| 52 | E coli | CFU/100ml | 0 | 0 | 0 |
| 53 | Total Coliforms | CFU/100ml | 0 | 0 | 0 |

Sample of the potable water produced by PPWSA are tested at laboratories in Singapore and Shanghai annually. The data from those laboratories indicates that water produced PPWSA is potable. The number of parameters tested by the two laboratories between 2006 and 2011 is as follows:

- In 2006, 94 parameters
- In 2007, 102 parameters
- In 2008, 209 parameters
- In 2009, 215 parameters
- In 2010, 215 parameters
- In 2011, 213 parameters

The analysis of the quality of potable water produced by PPWSA, conducted by the Singapore and Shanghai laboratories is shown in Appendix 6 to this Disclosure Document:

The maintenance of the water treatment system is conducted by PPWSA's employees, because the outcome in terms of economic and technical efficiency is superior to outsourcing the maintenance function. PPWSA's employees have the requisite skills to conduct the maintenance. In addition, PPWSA has created Standard Operation Procedures for the maintenance of mechanical and electrical systems of the water treatment system. These Standard Operating Procedures were implemented in 2006. Most repairs to the treatment system are made by PPWSA's employees, except those which are beyond their expertise.

c-1-2- Potable water supply networks

The potable water supply network is divided into two parts:

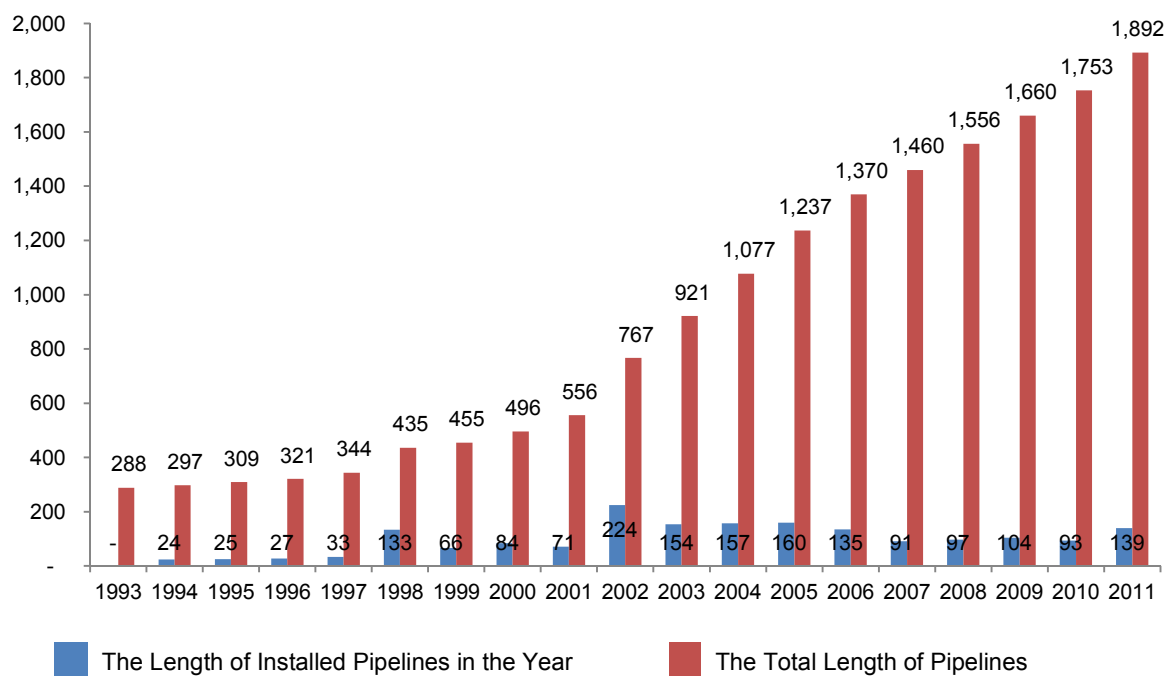
- **Main pipelines** are pipelines with large diameters of 250 mm or more. The main pipelines are used to transmit the potable water from the intake towers to the distribution pipelines. Currently, PPWSA's largest main pipelines have a diameter of 1,600 mm. Because of the water pressure in the pipelines, it is mandatory that the main pipelines are constructed of Ductile Iron.
- **Water distribution pipelines** consist of pipelines with diameters of from 50mm – 200mm. Water distribution pipelines are used to distribute treated water from the transmission mains to customers. PPWSA currently uses HDPE pipes for the distribution network because they are relatively inexpensive and offer reasonable quality. All of the pipes used in the water distribution network are constructed of HDPE except for the pipelines in Khan 7 Makara and some areas of Khan Tuol Kork which use Ductile Iron, and which were financed by a grant from the Japanese Government.

Commencing in 1993, PPWSA's main and water distribution pipelines have been continuously replaced, upgraded and extended. Cast Iron pipes have been replaced with Ductile Iron pipes, and additional distribution pipelines have been installed in many of PPWSA's service areas, to extend coverage in those areas. This differentiates PPWSA, whose pipelines have been almost entirely replaced or installed in the years from 1993, from many of other water authorities in the region, who have old legacy pipelines.

The process of the restoration of PPWSA's pipelines was as follows:

- In 1993 the French Government provided grant aid to replace the 8km at size from 80mm to 200 mm long water distribution pipelines in Sangkat Sras Chak, Khan Daun Penh. The primary purpose of this project was to provide training to the employees of PPWSA at that time in the installation of water distribution pipelines.
- From 1994 to 1996, PPWSA continued to replace old pipelines with the length of 68 km and extend the service area in Khan Daun Penh with financing from development partners, including the WB and ADB. The financing from both banks was used to purchase pipeline and connection materials. PPWSA contributed funds to lay the pipelines.
- In 1997 – 1999, the grant of Japanese aid through JICA enabled the replacement of old pipelines and extensions having a length of 68km to the service areas in the Khan Daun Penh, Khan 7 Makara and a part of Khan Tuol Kok. This grant included the provision of pipelines and installation. At the same time, PPWSA installed new pipelines having a length of 99 km in Khan Chamkar Mon which were financed by a loan from the ADB.
- From 1998 to 2001, the WB and ADB continued to provide financing for the replacement of old pipelines and extensions at the length of 221 km to the service area in Khan Chamkar Mon and Khan Tuol Kok.. Besides, to ensure that the pipeline had adequate capacity, the existing dilapidated main pipeline which had a diameter of 700 mm was replaced with a pipeline ranging in diameter from 900 mm to 1,600 mm. The replacement of the main pipeline was done with financing obtained from the ADB.

- After replacing the old pipelines and extending the distribution network in the existing service areas, commencing in 2002 new pipelines were installed to expand into new service areas. This expansion is continuing with financing from the WB, ADB and AFD. The graph below shows the length of pipeline installed each year since 1993 and the cumulative length of the pipelines:



In addition to the main and water distribution pipelines, the transmission and distribution system contains four water reserve basins for meeting water demand both in terms of quantity and water pressure at the boundaries of the service area. These basins can store 1,500 m³ of treated water, and are built to a height of 30 meters from the ground in order to be able to supply additional water pressure when there is high demand. Grant aid from the AFD was used to finance the construction of two water reserve basins: Chaom Chao Water Reserve Basin and Pochentong Water Reserve Basin. The WB also provided financing for the construction of two water reserve basins: Chraing Chamres Water Reserve Basin and Takhmao Water Reserve Basin.

The following table shows location and capacity of each water tank:

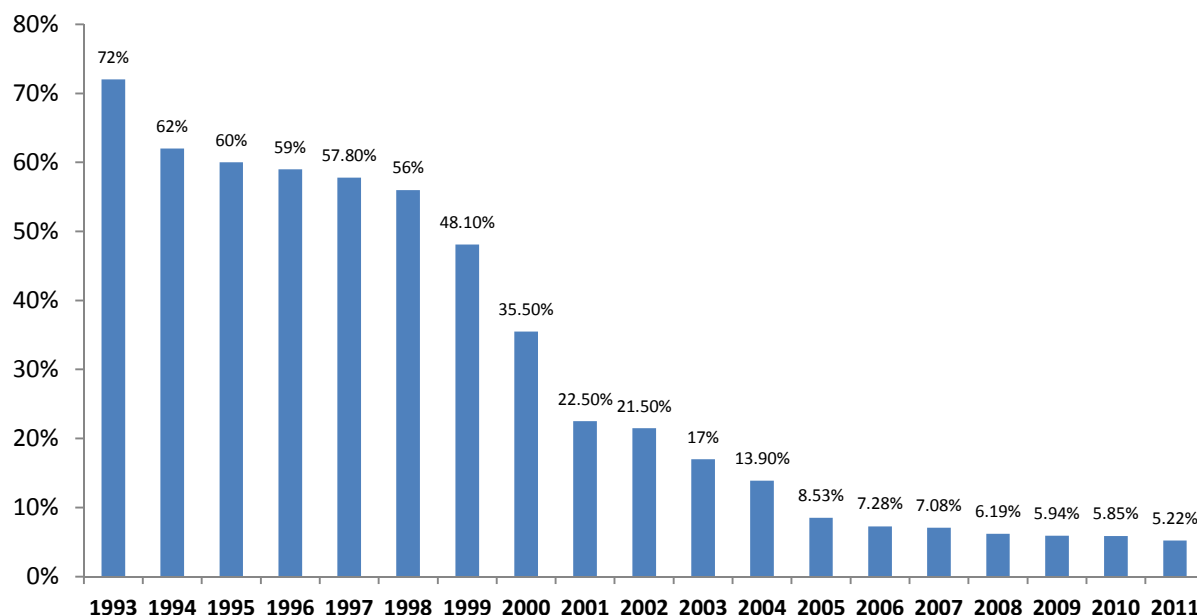
(Unit: KHR' 000 and m³)

| Names of water reserve basins | Location | Date of Construction | Total Investment Capital | Volume |
|-------------------------------|--------------------------|----------------------|--------------------------|--------|
| Chaom Chao | Trapaing Tloeung village | 01/11/06 | 4,861,523 | 1,500 |
| Pochentong | Kbal Damrey village | 01/11/06 | 4,472,403 | 1,500 |
| Chrang Chamres | Sangkat Chrang Chamres | 01/09/07 | 7,171,037 | 1,500 |
| Takhmao | Takhamo town | 13/11/09 | 9,298,291 | 1,500 |

Water Loss

Managing water loss is regarded by PPWSA as the most critical function in its operation because a decrease in water loss results in an increase in billings and income.

In 1993 the rate of water loss experienced by PPWSA was 72%. This rate decreased to approximately 6% in 2008, as shown in graph below. This achievement over a relatively short time frame resulted in PPWSA earning high praise from a number of international institutions, and PPWSA being awarded a number of trophies and world awards, details of which have been provided above.



The above reduction in water losses was achieved by PPWSA implementing six measures in its water loss reduction program, as follows:

- Customer Management Improvements:
 - Before 1993, customer management was highly inefficient. As already elucidated above, the number of customers appearing in PPWSA's records was different from the actual number of customers. Furthermore, the records did not have details of people with water connections, but contained details of people with no water connection. These factors resulted in a bill collection rate of only 48%. In order to correct its records, PPWSA requested Phnom Penh Municipality to provide 100 people to assist PPWSA gathering data to correct its records. The data collection process started in March 1994 and ended in late 1994. As a result of this data gathering exercise, 13,722 water connections were identified, whose names did not appear in PPWSA's records. There were 12,980 people whose names appeared in PPWSA's records but who did not have a water connection. In total 1,945 collective wells were identified, in relation to which no water bills were paid. At that time, due to the low water pressure of the supply system,

people dug wells and pierced water distribution main pipelines to cause water to flow from the pipelines into the wells, which were collectively used by many families.

- The pressing solutions for PPWSA were: 1) installing meters on the pipelines that were used to provide water for the wells, and assigning a representative to settle water bills in relation to these wells; 2) in cases where no representative could be found, a connection to each household had to be established and the wells filled in. These collective wells no longer exist as a result of water connections to each household having been installed.
- Managing Water Meters:
 - This was divided into 3 Parts: 1) ensuring that all household connections were metered; 2) the selection of water meters with high efficiency and acceptable quality; and 3) the introduction of a monitoring and replacement program. In 1993, 12.61% of all water connections had water meters, resulting in most water bills being calculated based on assumptions. In 1994, PPWSA commenced installing water meters to all household connections and ceased calculating water bills based on assumptions.
 - The below graph shows the annual increase in water meters compared to the number of connections. From 2001 onward all household connections were metered.

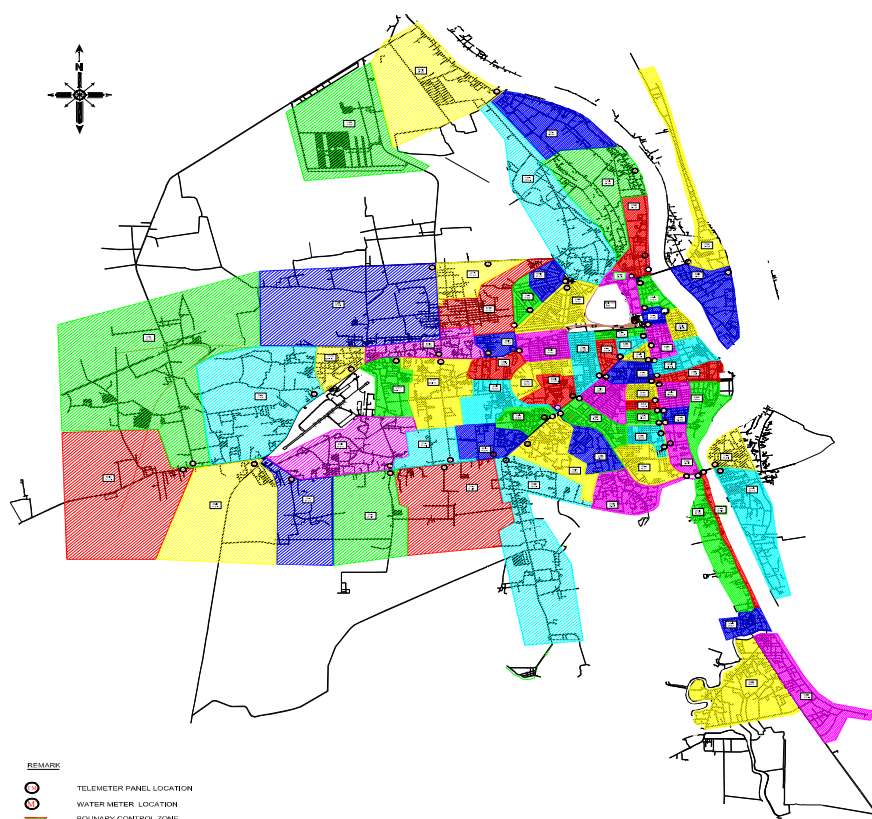
| Description | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|-----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Number of Connections | 26,881 | 27,623 | 28,655 | 32,404 | 42,113 | 51,407 | 60,479 | 67,016 | 74,945 |
| Number of Meters | 3,391 | 5,370 | 15,203 | 27,724 | 39,636 | 49,162 | 60,096 | 66,905 | 74,945 |

- In order to improve the accuracy of the water meters in 1997, PPWSA commenced replacing the old Class B meters which had a low accuracy and a bias rate more than +/- 8%, with Class C meters, which had higher accuracy and a bias rate of +/- 2%.
- The final measure in the management of water meters was a program for monitoring the replacement of meters. The longer the meters were in service, the higher their bias rate was found to be. Accordingly, in 1994, PPWSA established expert offices to regularly monitor and replace the meters according to standard operating procedure.
- The replacement of old pipes with new ones:
 - This was a highly efficient measure in reducing water loss. From 1993 to 2001, PPWSA actively implemented a program pipe replacement. In order to ensure the quality of the water distribution network employees were given a lot of training.
- The timely repair of leaks in the pipelines:
 - This was the most important factor in reducing water loss by leakage. Up until 1993, PPWSA had no water leakage repair working group but only a distribution connection group without clear duties. Sometimes this group repaired leaking pipelines; sometimes

they cleaned old pipelines in order to reconnect them, and sometimes they installed distribution pipelines in only one or two locations per year. This group had approximately 10 members, receiving small bonuses but without incentives to motivate them; some of them just came to work to show their face and then returned home. This situation made water repair a rarity. As a result, PPWSA had no statistics on water leakage nor the actual number of repairmen available in those years. Moreover, the lack of material for conducting repairs and the employee's lack of skill, resulted in what repairs were made sub-standard. In some cases repairs were affected by means of bicycle or motorbike tires wrapped around the leak.

- In 1994, 2 water-leakage repair groups were created and whose duties were to repair all water leakages. Since then, statistics have been gathered recording the number of water leakages. Annually there are water leakages at approximately 1,800 locations, requiring at least 5 locations to be repaired per day. From that time on, the working group received ongoing training on work methods and repair tools. Currently, the repair of water leaks is PPWSA's highest priority. In compliance with the standard operating procedure; a repairing group must be available 24 hours per day, so that repairs can be commenced not later than 1 hour after information about the water leak is received.
- The management of water losses in the service area
 - It started with the creation of one water management group in 1996. This group had 5 members who were trained by a technical advisor from Safage under a grant of French aid. This group did work and conducted studies at the same time at three model areas in Sangkat Tuol Svay Prey 1 and 2 and Sangkat Olympic, Khan Chamkar Mon. The main point of this work was to conduct analysis to identify invisible water leaks by dividing the water distribution system into areas of suitable sizes; monitor water flow at night time and do Night Step Tests by visiting and listening in order to determine whether there were water leaks in the areas. After gaining adequate experience in 1998, the working group proceeded to organize areas and manage other districts (Khans) in accordance with the programs for replacing main water distribution pipelines. In 2002, after gaining confidence in the employees who were in charge of their certain areas, PPWSA terminated the service contract of the technical advisor and carried out the work by itself. At that time, the rate of water loss was 21.5%. Since then, the rate of water loss has been reduced to 6%, which is the lowest rate of any water authorities in the region. Currently, PPWSA has 8 groups to control water loss in the service areas with 63 technical employees. They have been assigned to control water losses in the areas determined by PPWSA.

MAP OF DIVIDING REGIONS TO MONITOR WATER LOSS



- Preventing and deterring offenses:
 - Preventing and deterring offenses is divided into 3 categories: internal education, promotion and inspection. Internal education focuses on educating PPWSA's employees to deter them from committing offences, such as abetting in the illegal installation of water connections, splitting water connections before the meters, reducing the speed of the meter and reversing the counter of the meters. Any employee found abetting these offences is severely punished, in accordance with the Employee Statute and is prosecuted.
 - In addition, PPWSA educates the public about its rules and the various offences to make them aware of the offences and deter them from committing the offences. The public are also encouraged to report offences to PPWSA. For any information leading to the arrest of offenders, PPWSA can reward the informant. The offender and any abettor face large fines. Obstinate offenders are prosecuted by PPWSA. An inspection unit, which was established in 1993 has, the duty to conduct investigations and commence prosecutions.

c-1-3- Procedures of Household Water Connection

Residents, who wish to be connected to the existing water network near their houses, are required to fill in an application form and submit it along with other required documents to the house connection office of PPWSA. However, if there is no existing water pipeline in the area concerned, residents are required to also apply for the installation of a water supply line.

On receipt of a request for PPWSA to install a water supply line in areas which are not serviced by a water pipeline, the house connection office, in cooperation with the design office visits the site to make an evaluation of the feasibility of installing a water pipeline in the area. If it is feasible to install a water pipeline, it will be installed. If it is not feasible, the applicants will receive a detailed response providing reasons for PPWSA's decision not to install a water pipeline. Subsequent to the installation of the water pipeline, PPWSA arranges a meeting with local residents to provide information about the water supply including:

- water treatment and quality;
- procedures for making an application for a water connection;
- PPWSA's policies in helping poor people to access the water connection;
- rights and responsibilities relating to the water network;
- water fees, tariffs and billings; and
- general information for the customers.

At the same time, residents are provided with application forms and given instructions on how to complete the forms.

Within three days of receipt of the payment of the connection fee, the water meter is connected by an installation team, consisting of PPWSA's employees, who also provide a report of the connection to the customers.

Within three working days of the water connection, the customer's data is transferred to the Navision system for billing purposes. All customers' data are recorded on a daily and weekly basis to ensure the safety of information.

c-1-4- Customer Services

PPWSA had 202,929 connections by 2010, all of which are metered with Class C and B water meters with diameters of 15mm – 40mm and of 80mm and above, respectively. All these water meters are calibrated annually. If a meter is damaged, it is replaced free of charge by PPWSA, unless the relevant customer is responsible for the damage to the meter. In these circumstances, the customers are obliged to pay the cost of PPWSA for repairing the meter.

Customers are classified into 6 types in accordance with current billing data as shown in below table:

| No | Type of Customers | No of Customers | Percentage (%) |
|-------|------------------------------|-----------------|----------------|
| 1 | Domestic (Household) | 169,700 | 83.63% |
| 2 | Commercial | 32,396 | 15.96% |
| 3 | Government Institutions | 741 | 0.37% |
| 4 | Autonomous State Authorities | 51 | 0.02% |
| 5 | Wholesalers | 20 | 0.01% |
| 6 | Wholesalers-RDE | 21 | 0.01% |
| Total | | 202,929 | 100% |

PPWSA divides water wholesalers into two categories: the wholesalers and wholesaler-RDE. **Category 1** (Type 5) are customers engaged in the business of distributing clean water to other users. This category of customers is charged the commercial tariff.. **Category 2** (Type 6) are representatives of communities or people in areas where PPWSA is unable to access. These representatives have to subscribe to PPWSA directly and distribute water to the communities and people in the areas, not mainly for the profit purpose. These distributors are charged the government tariff.

Domestic and private household accounted for 83.63% of total customers, and consumed 57% of the water sold while the commercial customer only accounted for 15.96% of total customers, but consumed up to 36% of the water sold. Other customers accounted for 0.41% of total customers, and consumed 7% of water.

Due to an increase of approximately 10,000 customers per annum (this increase being made up of both household and commercial customers) and strong economic growth, water supply increased by 5.80% in 2009 and 11.14% in 2010.

There are four collection and complaint registration kiosks located in four branches within the city and a further one at the central office of PPWSA. In each kiosk, there is one employee who provides information and responds to customers' questions, proposals and complaints, as well as arranging for services to be provided by PPWSA's functional offices. Complaints or proposals may be lodged at the complaints registration desk or by telephone and are be forwarded to the appropriate functional department. Complaints or proposals that have been received by PPWSA include issues relating to water consumption, connections, metering and leakage. On average, there are 30 to 50 complaints per day.

c-1-5- PPWSA tariff structure

Currently, PPWSA has three types of tariffs: domestic, commercial and government institutions. The tariff increases progressively with water consumption and differs based on the type of customer. The tariff is summarized in the table below.

(Unit: KHR)

| Category of customer | Quantity of water use in 1 month (m ³) | Fee per m ³ |
|--|--|------------------------|
| Domestic | • from 0 m ³ to 07 m ³ | 550 |
| | • from 08 m ³ to 15 m ³ | 770 |
| | • from 16 m ³ to 50 m ³ | 1,010 |
| | • over 50 m ³ | 1,270 |
| Government Institutions and distributors | Without consideration of quantity | 1,030 |
| Commercial, Autonomous State Authorities and retailers | • from 0 m ³ to 100 m ³ | 950 |
| | • from 101 m ³ to 200 m ³ | 1,150 |
| | • from 201 m ³ to 500 m ³ | 1,350 |
| | • over 500 m ³ | 1,450 |

In addition to the basic water tariff, customers are required to pay a maintenance fee of KHR 50 per month which is applied to the cost of maintenance and calibration of the water meters. Customers are also required to pay a sewerage contribution at the rate of 10% of the water bill. The contribution is not recorded as revenue of PPWSA but is treated as a liability to the Department of Public Works and Transport of the Municipality of Phnom Penh.

The current tariff structure is the result of an evolutionary process. In the 1990s, the Royal Government resolved that water was an economic and social good, and that therefore a responsible, financially viable and socially sensitive tariff structure should be in place, with the tariff being sufficient to enable PPWSA to recover all of its costs. The Government made a financial commitment to the ADB and World Bank, that PPWSA would attain financial autonomy when it sought loans from these institutions for investment.

The ADB proposed a tariff plan that provided for three increases in the tariff over a seven-year period, with the incremental increases to be made in parallel with improvements in service delivery. The three stage tariff increase was designed to avoid social and economic disaffection through gradual incremental increases as opposed to one large increase. This proposed tariff plan was approved by PPWSA.

The first block tariff was introduced in 1997. It was subsequently revised in 2001, and has not been changed since then. Accordingly, only two out of the three planned tariff increases proposed by the ADB were implemented, and the final tariff increase was abandoned.

The historical development in the tariff structures of PPWSA is summarized below:

| | |
|---------------------------|---|
| Up to 1983 | Free water for every household |
| 1984 | 166 KHR/ m ³ (domestic and commercial) |
| 1993- June 1994 | 166 KHR/ m ³ (domestic) 515 KHR/ m ³ (industrial) |
| July 1994-May 1997 | 250 KHR/ m ³ (domestic) 700 KHR/ m ³ (industrial) |
| June 1997 - 2001 | Block tariff rates were introduced. All connections were metered. |
| | Domestic tariffs (m ³ /month) <ul style="list-style-type: none"> • 0 – 15: 300 KHR/m³ • 16 – 30: 620 KHR/m³ • 31 – 100: 940 KHR/m³ • >100: 1,260 KHR/m³ |
| | Industrial tariffs (m ³ /month) <ul style="list-style-type: none"> • 0 – 100: 940 KHR/m³ • 101-200: 1,260 KHR/m³ • 201-500: 1,580 KHR/ m³ • > 500: 1,900 KHR/m³ |
| 2001 to present | Governmental institutions (m ³) <ul style="list-style-type: none"> • Flat rate: 940 KHR/ m³ |
| | Domestic tariffs (m ³ /month) <ul style="list-style-type: none"> • 0–7: 550 KHR/ m³ • 8–15: 770 KHR/ m³ • 16–50: 1,010 KHR/ m³ • >50: 1,450 KHR/ m³ |
| | Commercial tariffs (m ³ /month) <ul style="list-style-type: none"> • 0–100: 950 KHR/ m³ • 101–200: 1,150 KHR/ m³ • 201–500: 1,350 KHR/ m³ • >500: 1,450 KHR/ m³ |
| | Government institutions (m ³) <ul style="list-style-type: none"> • Flat rate: 1,030 KHR/ m³ |

The structuring of the tariff on a progressive basis assists in making water affordable for the poor. The average monthly Water Bill for poor families is approximately KHR 4053 (US\$ 1) for 7 m³, which equals 4% of their average monthly income.

c-1-6- Invoice and Bill Collection

Invoices are printed every two months on the basis of “**reading the water meter and billing within a day**”.

The bill collection process includes customers who do not pay their bill on time (15 days from bill issuing date) being notified by a standard letter from PPWSA, that they are obliged to pay the bill within three working days from notification date. If customers fail to comply with the terms in the letter, PPWSA may first temporarily suspend their water supply by sealing the valve.

The following table provides information in relation to water supply suspensions and re-connections during FY2010:

| No. | Description | Number |
|-----|--|--------|
| 1 | Water supply disconnection | 3,182 |
| 2 | Water service re-connections | 2,149 |
| 3 | Re-connections as a percentage of disconnections | 67.54% |

Payment issues are resolved with approximately 70% of customers who do not pay on time. Customers whose water supply is temporarily suspended have their water reconnected after PPWSA receives any outstanding amounts, plus a penalty of 1% per day on the amount outstanding and a reconnection fee of KHR 60,000 in case of valve sealing, or KHR 100,000 in the case of a temporary disconnection. For the other 30% of customers who do not pay on time, their water connection should officially cut off. In order to get their water connection restored, they are required to pay the outstanding water bill, plus a penalty of 1% per day on the amount outstanding and a water connection fee.

Customers may pay their bills:

- in cash in person at PPWSA's head office; or
- through one of PPWSA's 4 branches; or
- through their bank by cheque or an Auto pay direction (ACLEDA Unity); or
- by means of selected banks ATM machines or EFTPOS; or
- by means of mobile phone banking.

As a result of Cambodia having a cash-based economy, there are not many payments via the banking system, including mobile phone banking. Payments through the banking system are on average approximately 100 operations per day

PPWSA has bill collectors, who are paid in accordance with an incentive and penalty scheme. In accordance with the scheme, incentives are paid based on the percentage of bills collected, but if less than 99% of bills payable are collected by a bill collector for three consecutive periods, the bill collector is penalized or may even be dismissed. The percentage of bills collected both in terms of the number of bills and the value of the bills exceeds 99.5%.

Below are the results of bill collections from customers in the last 3 years, by category of customer.

(Unit: KHR'000)

| No. | Category of Customers | 2010 | | | 2009 | | | 2008 | | |
|--------------|------------------------|--------------------|--------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|------------------|
| | | Billed amount (A) | Payment | Rate (%) (B)/(A) | Billed amount (A) | Payment | Rate (%) (B)/(A) | Billed amount (A) | Payment | Rate (%) (B)/(A) |
| 1 | Domestic | 52,442,891 | 52,408,024 | 99.93% | 88,736,710 | 48,646,308 | 99.81% | 46,078,047 | 46,031,928 | 99.90% |
| 2 | Commercial | 43,706,553 | 43,647,652 | 99.87% | 37,440,403 | 37,442,358 | 100.01% | 36,009,085 | 35,829,015 | 99.90% |
| 3 | Government Institution | 6,623,539 | 5,912,550 | 89.27% | 5,914,183 | 5,994,097 | 101.35% | 5,678,101 | 5,592,862 | 98.50% |
| Total | | 102,772,983 | 101,968,228 | 99.22% | 92,091,297 | 92,082,764 | 99.9% | 87,765,325 | 87,453,807 | 99.65% |

* **Note:** Billed amount = Water Sale + 10% sewerage contribution + fee for meter maintenance.

The invoiced amount for the years ended 31 December 2008, 2009 and 2010 differs from revenue figures in the audited financial statements of PPWSA for the same years due to the timing difference in recording water sales revenues and 91% of total sewage contribution which was collected on behalf of the Phnom Penh Municipality. PPWSA's main sources of revenues are water sales, revenue from new water connections and other revenues.

The below table shows PPWSA's revenues from 2008 to 2010:

(Unit: KHR'000 and %)

| Types of revenues | 2010 | | 2009 | | 2008 | |
|------------------------------|--------------------|-------------|-------------------|-------------|-------------------|-------------|
| | Revenue | % | Revenue | % | Revenue | % |
| Revenue from water sales | 96,024,177 | 91.0% | 85,868,991 | 89.8% | 80,433,636 | 87.8% |
| Revenue from new connections | 4,465,553 | 4.2% | 4,833,250 | 5.1% | 5,437,795 | 5.9% |
| Other revenues | 5,053,810 | 4.8% | 4,897,316 | 5.1% | 5,716,220 | 6.2% |
| Total | 105,543,540 | 100% | 95,599,557 | 100% | 91,587,651 | 100% |

* Source: the audited financial statements for the years ended 31 December 2008, 2009 and 2010

* **Note:** Miscellaneous income includes income from replacing and selling water meters and spare parts, meter maintenance, fines, currency exchange and other income.

c-2- Description of Product Market of PPWSA (local and overseas)

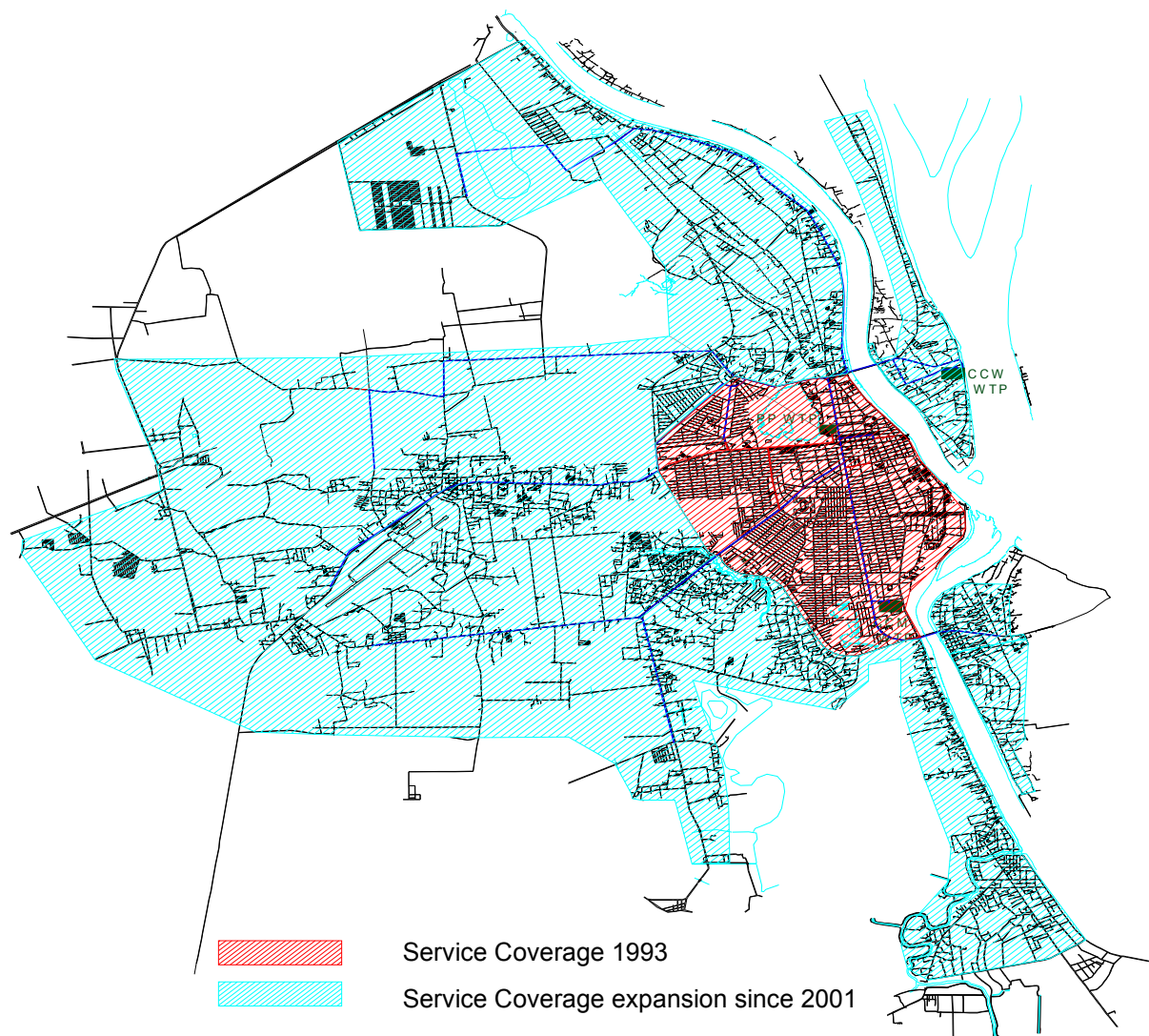
PPWSA is the only water supplier (monopoly) in Phnom Penh and has a monopoly on water treatment and transmission and distribution. PPWSA's market is its "service area", which includes Phnom Penh's 8 Khans (districts) and the northern part of Takmao town, in Kandal Province.

PPWSA has mapped those districts into areas and sub-areas. The mapping specifies the location of water meters in each sub-area. There are 4 Khans (districts) in the city and 4 suburban Khans (districts). PPWSA's coverage ratio is 100% in Khan Daun Penh, Khan 7 Makara, Khan Cham Karmorn and Khan ToulKork. The coverage ratio for the suburban areas of the four Khans (districts) is still limited. Specifically, only between 60% and 70% of Khan Dangkor, Khan Meanchey, and Khan RousseyKeo have potable water supply. In Kandal Province, only the northern part of Takmao town has access to PPWSA's water supply. The main transmission and distribution network is not capable of satisfying all the demand in the areas currently serviced by PPWSA.

The following table shows the geographical distribution PPWSA's total water connection as at the end of 2010.

| No. | Khan (Districts) | Number of Household | Number of Connections |
|-----|------------------------|---------------------|-----------------------|
| 1 | Daun Penh | 24,201 | 19,716 |
| 2 | 7 Makara | 18,513 | 17,983 |
| 3 | Cham Karmorn | 34,666 | 29,324 |
| 4 | ToulKork | 33,096 | 28,470 |
| 5 | RousseyKeo and Sen Sok | 58,544 | 38,947 |
| 6 | Mean Chey | 53,339 | 35,125 |
| 7 | Dangkor | 38,109 | 24,970 |
| 8 | Takmao | 13,806 | 8,059 |
| 9 | Kambol and Kantok | 3,308 | 335 |

The following map show the service coverage of PPWSA in 2011



d- The sale volume of other products accounted for at least 10% of the company's total revenue.

In 2010, the revenue from the sale of water accounted for 91% of PPWSA's total revenue and revenue from new water connections accounted for 4% of PPWSA's total revenue.

e- Subsidiary, associates and holding company including their core areas of business

At the date of this Disclosure Document, PPWSA does not have any subsidiaries, associates, or a holding company.

f- Distribution method(s)

PPWSA uses a “**mechanism for potable water supply**” to distribute potable water to its customers.

After the board of directors and the guardian ministries approved the annual operational plan of PPWSA, PPWSA acts in accordance with the following procedure:

f-1- Study of layout for piped water distribution

In accordance with the annual plan, PPWSA has to analyze the piped water distribution layout in a timely manner and in compliance with the relevant schedule. The study of potential distribution locations must conform to the following standard operating procedure (SOP), and the following factors must be analyzed and considered:

- Operating distance
- Production capacity of WTP
- Densely populated areas with high demand for potable water and proper infrastructure in accordance with national standards
- Highly potential economic areas

The installation of the pipelines must be made in accordance with these studies.

These studies are intended to give people direct access to PPWSA's potable water, and thereby to increase PPWSA's revenue, in accordance with the plans and analysis which has been conducted.

f-2- Announcement of potable water service

PPWSA has implemented an announcement program to existing and projected supply areas to provide existing and future customers with information about:

- PPWSA's water production, supply and quality
- installment payment plans for water purchases (10 months, 15 months, and 20 months) and subsidies of 30%, 50%, 70% and 100% for water connections for the poor.
- modality and household water connection fees
- Fees and the method used for water consumption bill calculations
- Particular cases.

f-3- Implementation of distribution network expansion

After the completion of the study and analysis of potential locations for piped water distribution, PPWSA installs the pipelines.

The installation must conform with PPWSA's standard operating procedure (SOP), including installation of the pipelines in accordance with PPWSA's technical standards, ensuring that there

are no water leaks, ensuring the installation is completed in accordance with the schedule, job and construction site safety rules are observed, and minimizing the negative impact of the works on the population and traffic.

f-4- Water Connection for Customers

After the water distribution network has been installed, PPWSA will notify the public to complete application forms for household water connections.

Household water connections must be implemented in accordance with PPWSA's SOP. The employees who are in direct contact with customers, are trained to be polite, gentle, friendly and firm to ensure that household water access is facilitated smoothly and expeditiously.

In the special case of providing access to water to people living in poor communities, and the outskirts of Phnom Penh, PPWSA has mobilized its civil servant-employees to assist people in obtaining household connections. The main objective of PPWSA is to ensure that people complete the application form for household water connections and are able to make water bill payments locally, so that these people do not have to travel unnecessarily and incur travelling costs.

g- Raw Material and other inputs

(Unit: KHR '000, %)

| TYPE | DESCRIPTION | | 2010 | | 2009 | | 2008 | |
|---|-----------------|----------|------------|-----|------------|-----|------------|-----|
| Electricity Engine and Raw material for potable water treatment | Electricity | Domestic | 21,223,301 | 73% | 16,162,240 | 65% | 17,954,346 | 68% |
| | | Import | - | 0% | - | 0% | - | 0% |
| | | Total | 21,223,301 | 73% | 16,162,240 | 65% | 17,954,346 | 68% |
| | Alum | Domestic | 2,665,377 | 9% | 3,546,651 | 14% | 3,042,483 | 12% |
| | | Import | | | | | | |
| | | Total | 2,665,377 | 9% | 3,546,651 | 14% | 3,042,483 | 12% |
| | Chlorine | Domestic | - | 0% | - | 0% | - | 0% |
| | | Import | 1,104,449 | 4% | 1,092,595 | 4% | 713,620 | 3% |
| | | Total | 1,104,449 | 4% | 1,092,595 | 4% | 713,620 | 3% |
| | Lime | Domestic | - | 0% | - | 0% | - | 0% |
| | | Import | 247,617 | 1% | 113,627 | 0% | 384,264 | 1% |
| | | Total | 247,617 | 1% | 113,627 | 0% | 384,264 | 1% |
| | Other materials | Domestic | - | 0% | - | 0% | - | 0% |
| | | Import | 94,491 | 0% | 107,378 | 0% | 142,465 | 1% |
| | | Total | 94,491 | 0% | 107,378 | 0% | 142,465 | 1% |
| | Total-1 | Domestic | 21,223,301 | 73% | 16,162,240 | 65% | 17,954,346 | 68% |
| | | Import | 4,111,934 | 14% | 4,860,251 | 19% | 4,282,832 | 16% |
| | | Total | 25,335,235 | 87% | 21,022,491 | 84% | 22,223,178 | 85% |
| Equipment for water connection | Spare Parts | Domestic | - | 0% | - | 0% | - | 0% |
| | | Import | 2,305,555 | 8% | 2,543,476 | 10% | 2,457,226 | 9% |
| | | Total | 2,305,555 | 8% | 2,543,476 | 10% | 2,457,226 | 9% |

| TYPE | DESCRIPTION | | 2010 | | 2009 | | 2008 | |
|--------------------------------|------------------------------|----------|------------|------|------------|------|------------|------|
| Equipment for water connection | Water Meters for Replacement | Domestic | - | 0% | - | 0% | - | 0% |
| | | Import | 579,502 | 2% | 537,157 | 2% | 717,707 | 3% |
| | | Total | 579,502 | 2% | 537,157 | 2% | 717,707 | 3% |
| | Pipe cost | Domestic | - | 0% | - | 0% | - | 0% |
| | | Import | 116,047 | 1% | 128,826 | 1% | 115,428 | 1% |
| | | Total | 116,047 | 1% | 128,826 | 1% | 115,428 | 1% |
| | Other cost | Domestic | - | 0% | - | 0% | - | 0% |
| | | Import | 684,944 | 2% | 707,706 | 3% | 769,293 | 3% |
| | | Total | 684,944 | 2% | 707,706 | 3% | 769,293 | 3% |
| | Total-2 | Domestic | - | 0% | - | 0% | - | 0% |
| | | Import | 3,686,048 | 13% | 3,953,165 | 16% | 4,059,654 | 15% |
| | | Total | 3,686,048 | 13% | 3,953,165 | 16% | 4,059,654 | 15% |
| External Source | Network | N/A | - | - | - | - | - | - |
| Total | | Domestic | 21,223,301 | 73% | 16,162,240 | 65% | 17,954,346 | 68% |
| | | Import | 7,797,972 | 27% | 8,813,416 | 35% | 8,342,486 | 32% |
| | | Total | 29,021,273 | 100% | 24,975,656 | 100% | 26,296,832 | 100% |

* Source: Finance and Accounting Department

h- Requirement for power, gas, and water or other utilities

PPWSA's water treatment operations require a significant amount of electricity. As a result, the Company is one of the largest users of electricity in Phnom Penh. For the year ended December 31, 2010, electricity constituted 30.3% of the operating expenses.

i- Customers who purchase goods or services at least 10% of the company's total sales

PPWSA does not have any single customer who accounts for at least 10% of PPWSA's total water sales. In fact, PPWSA's largest customer accounts for only around 3.55% of PPWSA's total water sales.

j- Suppliers who supply goods or services at least 10% of the company's total purchase

(Unit: KHR)

| No | Supplier Name | Type of Product/ Service | Quantity | Total Sum | Period of contract |
|----|---------------|--------------------------|---------------|----------------|--------------------|
| 1 | EDC | Electricity | 27,139,771 kw | 21,223,301,000 | N/A |

k- Patents, marks, trade names, licenses or other agreements on intellectual property rights

PPWSA does not possess any intellectual property (IP) rights or IP licenses.

I. Number of total employees and full time employees

As at the end of September 2011 there were 602 Civil Servant-Employees consisting of:

- Civil servant framework: 2 persons
- Director and deputy director framework: 12 persons
- Practical framework: 79 persons (10 females)
- Executive framework: 467 persons (77 females)
- Contract employees: 42 persons (4 females)

Professional Qualification and Age of the Employees as of September 2011.

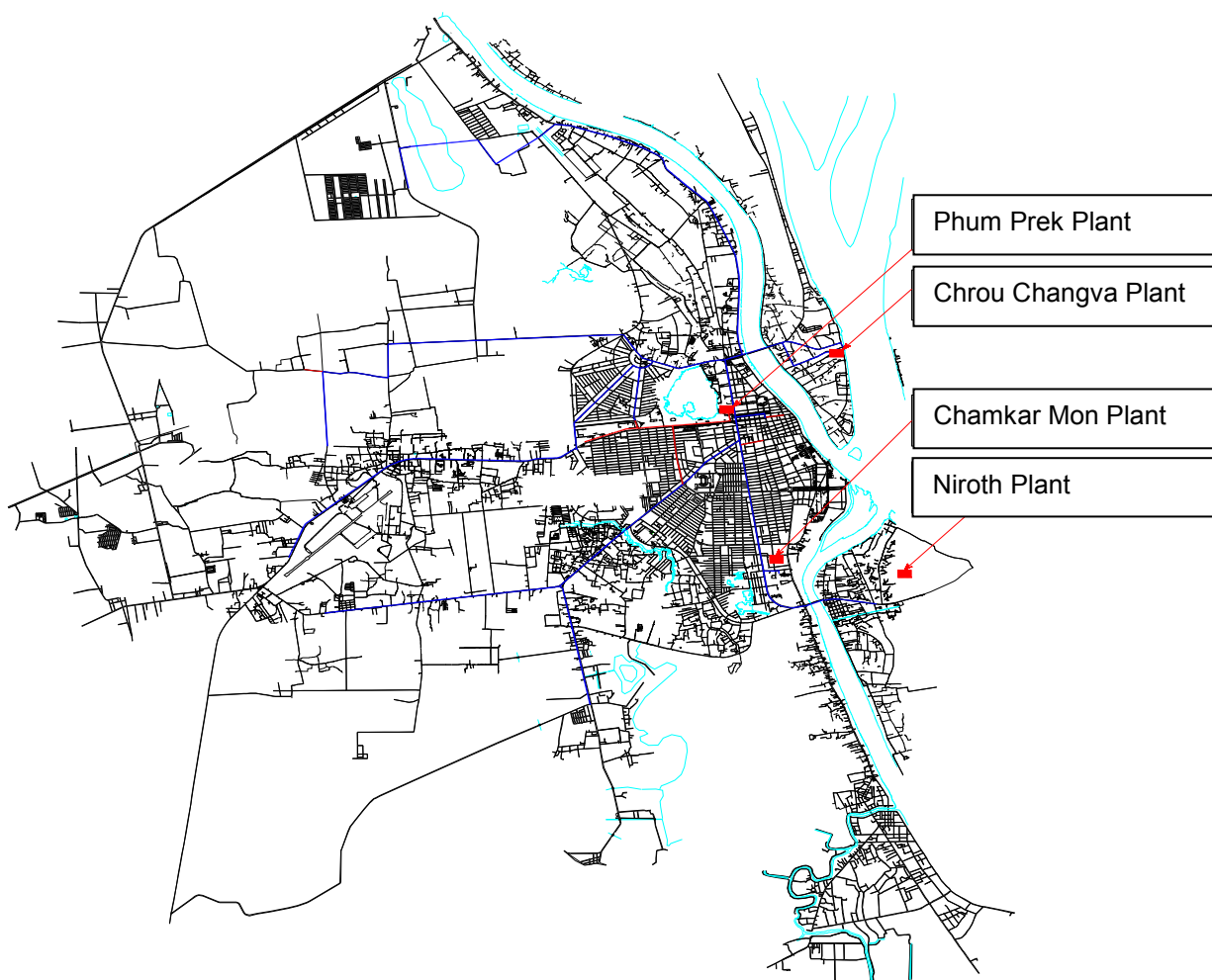
| Age Qualification/ Profession | Under the age of 26 | 27-35 | 36-45 | Over 46 | Total | |
|--------------------------------------|---------------------------|------------|------------|------------|------------|-------------|
| | | | | | Number | Rate |
| PHD | | | | 1 | 1 | 0.17% |
| MBA | | 7 | 8 | 10 | 25 | 4.15% |
| Engineer/BA | 14 | 72 | 27 | 11 | 124 | 20.60% |
| High/Average Technician | 4 | 4 | 21 | 7 | 36 | 5.98% |
| Diploma and Short Course Training | 54 | 39 | 41 | 14 | 148 | 24.58% |
| Over 10- Year- Experience | | 11 | 43 | 75 | 129 | 21.43% |
| Skillful Workers | | 12 | 9 | 12 | 33 | 5.48% |
| Laboring Workers | 22 | 59 | 19 | 6 | 106 | 17.61% |
| Total | 94 | 204 | 168 | 136 | 602 | 100% |

* In 1993: Employee /customer ratio was 22 employees/1,000 customers.

* In September 2011 Employees /customer ratio was 2.84 employees/1,000 customers.

m. Potential of production capacity

In response to the increasing demand for potable water in Phnom Penh and Ta Kmao Town, PPWSA has commenced the construction of a new WTP at Sangkat Niroth Khan Mean Chey with the capacity to treat 130,000m³/day. This new WTP sources its raw water feedstock from the lower Mekong River and is expected to be operational in early 2013. After this new WTP is commissioned, PPWSA's total water treatment capacity will be around 460,000m³/day which should be sufficient to meet the demand for potable water until 2015.



n. Transaction with subsidiary, associates, holding company or related companies

As at the date of this Disclosure Document, PPWSA does not have any subsidiaries, associates, a holding company or any related companies.

2. Operational plan and financial position

a- Projected income statements: N/A

b- Any expectation of significant changes in the number of employees

As at the date of this Disclosure Document, PPWSA has no plan to make any significant change to the number of its employees. PPWSA will maintain the ratio of 2.8 employees per 1,000 customers.

c- External and internal sources of capital

PPWSA's working capital and other capital requirements were principally satisfied by cash generated from its operations and loans from various lenders as and when circumstances required.

d- Material capital expenditure and expected sources of funds for such expenditure:

Please refer to the 'Section 2. 14 Investment Projects'

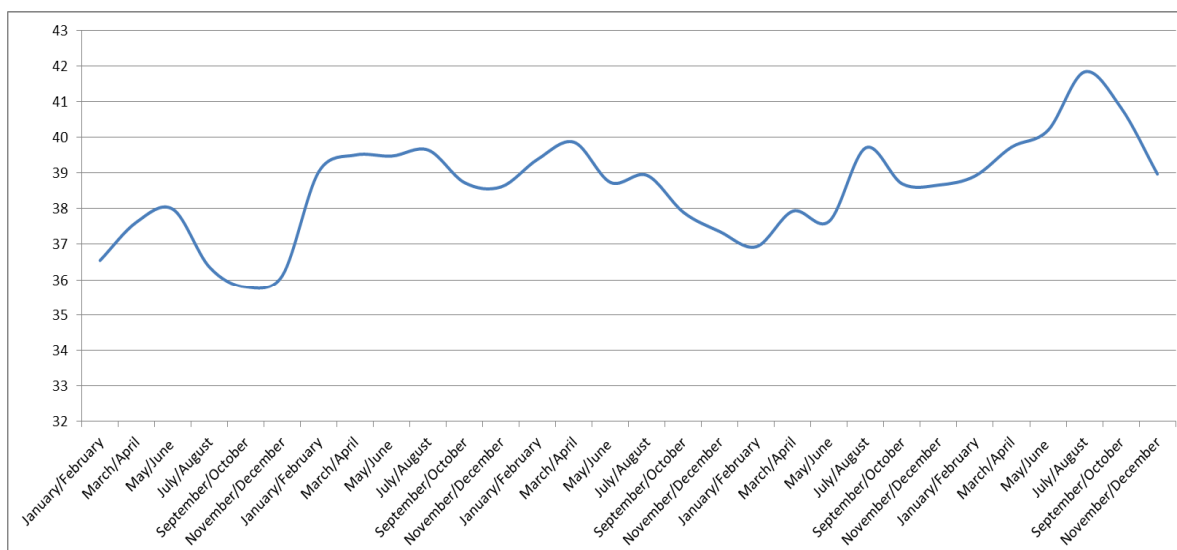
e- Material changes in income, cost of sales, and other operating expenses and net income

PPWSA plans to extend its capacity by 260,000m³/day after completion of the Niroth project Stage I and II and, as a result, water sales as well as related expenses will likely increase accordingly.

f- Any seasonable aspects of the company's business

In general, the rate of water consumption varies depending on the season. Water consumption reaches its peak during the dry season from the months of October to May.

• Water Consumption Table



g- Any unknown trends, events or uncertainties

As at the date of this Disclosure Document, PPWSA is not aware of any trends, events or uncertainty that may affect its business other than those disclosed in the Risk Factors under Section 3.

h- Any change in the assets of the company to settle any liability

As at the date of this Disclosure Document, PPWSA has not pledged any of its assets or provided any of its assets as a security in relation to any liability or obligation.

i- Any material loans between holding company and its subsidiary

PPWSA does not have a holding company or any subsidiaries.

j- Any future contractual and contingent liabilities

As at the date of this Disclosure Document, PPWSA is not aware of any contingent liabilities or future contractual obligations other than those disclosed in this Disclosure document.

k- VAT, income tax, customs duty or other unpaid tax liability, including contingent liabilities

PPWSA is obliged to pay taxes and customs duties in accordance to the Law on Taxation.

k.1– VAT

As at the date of this Disclosure Document, PPWSA believes that there is no unpaid VAT that is due and payable either to the General Department of Taxation of the MEF.

k-2- Income tax

In accordance with the Law on Taxation, PPWSA is subject to income tax at the rate of 20% on taxable profits or the minimum tax at the rate of 1% of turnover.

After its IPO, PPWSA will be granted tax incentives by the RGC, as a result of which PPWSA's income tax will be reduced by 10% for 3 consecutive years.

As at the date of this Disclosure Document, PPWSA believes that there is no unpaid income tax due and payable to the General Department of Taxation of the MEF.

k-3- Customs duty

As at the date of this Disclosure Document, PPWSA believes that there is no unpaid customs duty that is due and payable to the General Department of Taxation of the MEF.

k-4- Other unpaid tax liability including any contingent liabilities

As at the date of this Disclosure Document, PPWSA is not aware of any unpaid tax liabilities or any other contingent liabilities except for the tax that may be subject to a possible reassessment as disclosed in the Risk Factors.

l- Operating and finance leases

l-1- Operating lease

As at the date of this Disclosure Document, PPWSA does not have any operating leases.

l-2- Finance lease

As at the date of this Disclosure Document, PPWSA does not have any finance lease.

m- Provisions related to personnel schemes including retirement benefits that would not be involved in the issuance of equity securities of the company

Please see financial statements including footnotes in Section 9-ACCOUNTANT'S REPORT for all the details of the plan.

3- Information related to assets of the company

a- Description of property, plant and equipment, biological assets and intellectual property rights

a-1- Description of PPE

In accordance with the SECC's instructions, the valuation of PPWSA's PPE has been conducted at 10 separate locations.

a-1-1- Description of property by identifying address, condition, historical costs, and appraisal value

(Unit: KHR)

| PROPERTY | | | | | | |
|-------------|----------------------|---|---------------------------|---------------------|-----------------|---|
| No | Location | Address | Acquisition Cost 30/06/11 | Book Value 30/06/11 | Appraisal Value | Method |
| 1 | CHV | # N/A, Street Mekong, Sangkat Chroy Changva, Khan Russei keo, Phnom Penh, Cambodia. | 8,835,233,084 | 7,491,561,511 | 38,016,615,681 | Sale Comparison, Depreciated Replacement Cost |
| 2 | CHVI | # N/A, Street Mekong, Sangkat Chroy Changva, Khan Russei keo, Phnom Penh, Cambodia. | | | | |
| 3 | PP | # 45, St 106, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Cambodia. | 17,806,577,152 | 16,369,023,198 | 355,669,123,925 | Sale Comparison, Depreciated Replacement Cost |
| 4 | PPI | # 653, St Sisowath, Sangkat Srah Chork, Khan Daun Penh, Phnom Penh, Cambodia. | 3,132,000,000 | 3,132,000,000 | 4,403,728,564 | Sale Comparison, Depreciated Replacement Cost |
| 5 | CMK | #2, St 466, Sangkat Tonle Bassac, Khan Chamkarmorn, Phnom Penh, Cambodia. | 2,475,317,800 | 2,219,556,591 | 44,715,190,092 | Sale Comparison, Depreciated Replacement Cost |
| 6 | CMKI | #210J, F125, Street sub road of Norodom Blvd, Sangkat Tonle Bassac, Khan Chamkarmorn, Phnom Penh Cambodia | 452,873,600 | 449,817,211 | 2,599,403,965 | Sale Comparison, Depreciated Replacement Cost |
| 7 | KDR | #N/A, St. 105, Sangkat Kakab, Khan Dangkor, Phnom Penh, Cambodia. | 551,617,413 | 486,674,301 | 4,027,193,046 | Sale Comparison, Depreciated Replacement Cost |
| 8 | TKM | #17, Street 206, Doeum Mean Village, Takhmau District, Takhmau Town, Kandal Province, Cambodia. | 2,490,596,036 | 2,395,636,943 | 12,873,150,370 | Sale Comparison, Depreciated Replacement Cost |
| 9 | CCR | N/A, Street 11, Sangkat Chrang Chamres II, Khan Russei Keo, Phnom Penh, Cambodia. | 1,185,484,314 | 1,137,226,551 | 4,691,569,395 | Sale Comparison, Depreciated Replacement Cost |
| 10 | TPK | N/A, St. Veng Sreng, Trapangkleong Village, Sangkat Choam Chao, Khan Dangkor, Phnom Penh, Cambodia. | 456,064,385 | 428,084,073 | 3,282,418,689 | Sale Comparison, Depreciated Replacement Cost |
| 11 | LAND NOT BE VALUATED | Land of Niroth Treatment plant which under construction and land some part of Takhmau | 51,200,062,225 | 51,200,062,225 | | |
| GRAND TOTAL | | | 88,585,826,010 | 85,309,642,604 | 470,278,393,727 | |

a-1-2- Description of plant (Main Facilities for Production and Distribution)

(Unit: KHR)

| PLANT | | | | | | |
|-------------|----------|--|------------------------------|------------------------|-----------------|------------------------------|
| No | Location | Main facilities for production | Acquisition Cost 30/06/11 | Book Value 30/06/11 | Appraisal Value | Method |
| 1 | CHV | Lamellar clarifier, Water filter, Flash mixing well, Sedimentation, Foundation of TWP, Water Pump Station, Filter Slab floor, Treated Water Reservoirs, Treated Water Tank, Water Elevated Tank. | 35,056,960,412 | 32,393,545,317 | 36,292,092,970 | Depreciated Replacement Cost |
| 2 | CHVI | Water Intake Station, 35m2, Intake Pumping Station, CHV2, Steel Bridge, CHV2 (Int.Pum.S) | 2,874,633,345 | 2,776,113,057 | 1,978,360,398 | Depreciated Replacement Cost |
| 3 | PP | Water Sedimentation, 12 Pcs of Water Filters, Water Reservoir 1, Water Reservoir 2, Water Reservoir 3, Pumping Station 1, Pumping Station 2 | 46,359,512,998 | 33,461,224,761 | 18,709,585,509 | Depreciated Replacement Cost |
| | | JP Project (Building, Machinery, pump and Elect equip) | 28,784,897,493 | 24,323,238,381 | 24,323,238,381 | |
| 4 | PPI | Water Intake Station, Water Elec. Intake Station, Water Vessel. Intake Station | 810,000,000 | 581,850,000 | 720,838,842 | Depreciated Replacement Cost |
| 5 | CKM | Blue Reservoir Well Tower (Steel), Foundation of Reservoir Well Tower, Water Reservoir, Sedimentation (Concrete), Sedimentation (Concrete), Water Reservoir (Steel), Sedimentation (Steel) | 10,281,165,460 | 7,386,771,346 | 3,049,368,837 | Depreciated Replacement Cost |
| 6 | CKMI | Water Intake Station, Raw water floating Station | 1,372,094,260 | 1,080,685,738 | 658,918,670 | Depreciated Replacement Cost |
| 7 | KDR | Chlorination room, Water Elevated Tank | 2,681,088,169 | 2,430,853,273 | 2,786,068,040 | Depreciated Replacement Cost |
| 8 | TKM | Chlorination room, Water Elevated Tank | 5,214,559,000 | 5,044,216,739 | 2,847,163,300 | Depreciated Replacement Cost |
| 9 | CCR | Chlorination room, CCR, Water Elevated Tank, CCR | 3,313,677,800 | 3,059,629,169 | 2,847,275,719 | Depreciated Replacement Cost |
| 10 | TPK | Chlorination room, TPK, Water Elevated Tank, TPK | 2,774,428,145 | 2,515,481,518 | 2,787,893,218 | Depreciated Replacement Cost |
| GRAND TOTAL | | | 139,523,017,082 | 115,053,609,300 | 97,000,803,884 | |

a-1-3- Description of equipment by identifying mark or model, country of origin, year of purchasing, year of manufacturing, and number of equipment, historical costs, appraisal value and book value.

The equipments were classified into 6 different categories according to PPWSA's own classification methods. The total inventory comprised 154 items of Bulk Metesr (BM), 449 items of Electrical Equipment (EE), 440 items of Machinery (MC), 463 items of Main Pipe (MP), 34 items of Transport (TP) and 216 items of Valves (also identified as MP) totalizing 1,756 equipment items.

(Unit: KHR)

| EQUIPMENT | | | | |
|----------------------|------------------------------|------------------------|-----------------|------------------------------|
| Name of Equipment | Acquisition Cost 30/06/11 | Book value 30/06/11 | Appraisal Value | Method |
| MACHINERY | 58,852,570,876 | 34,201,919,696 | 34,559,203,966 | Depreciated Replacement Cost |
| MAIN PIPE | 325,565,109,005 | 251,256,008,398 | 254,094,377,566 | Depreciated Replacement Cost |
| ELECTRICAL EQUIPMENT | 59,119,770,940 | 14,642,847,713 | 14,304,061,181 | Depreciated Replacement Cost |
| VALVE | 4,611,866,119 | 4,254,614,982 | 4,152,894,556 | Depreciated Replacement Cost |
| BULK METER | 4,106,225,941 | 688,623,871 | 704,690,222 | Depreciated Replacement Cost |
| TRANSPORTATION | 11,187,089,124 | 4,642,739,420 | 4,243,794,649 | Depreciated Replacement Cost |
| GRAND TOTAL | 463,442,632,006 | 309,686,754,080 | 312,059,022,140 | |

a-1-4- Ownership of PPE

According to Article 6 of the Anukret No.52 on the Establishment of PPWSA, PPWSA is a lawful owner on behalf of the State, of all the properties in the inventory list. After becoming a listed public enterprise, PPWSA shall also be subject to the provisions of the Prakas No.002 dated 17 January 2012 on the rights and procedure of disposal of property of listed public enterprise.

a-1-5- The valuation of PPE

| Valuation on Property, Plant and Equipment | | | | | |
|--|------------------|----------------|---------------------------------|---|--|
| No | Name of Location | Valuation date | Name of Asset Valuation company | Property | Plant |
| 1 | CHV | August 08,2011 | VTRUST PROPERTY CO., LTD | Land, Guard Tower, two Administration Building, Neutralization Room, Store C, Fence | Lamellar Clarifier, 580m3,Water Filter,8pcs,8.6*7.9*3.85,Flash mixing well, Sedimentation, Foundation of TWP No.4-8 CHV2,Water Pump Station, Size 878m2,Filter slab floor, 4pcs, CHV2,Treated Water Reservoirs, Treated Water Tank, 3-4, CHV2,Water Elevated Tank, 650m3 |
| 2 | CHVI | August 08,2011 | VTRUST PROPERTY CO., LTD | | Water Intake Station, 35m2,Intake Pumping Station, CHV2,Steel Bridge, CHV2 (Int.Pum.S) |
| 3 | PP | August 08,2011 | VTRUST PROPERTY CO., LTD | Land PP,HC Building (A) 1st Floor, Building Store B, Main Pipe Line Office Building ©,Main Administrative Building (D) , Commercial Building (E), Technical & Project Building (F), Customer Relation Building (G), Electrical Building (H), Water Treatment Plat Building (I), Building (J), New ADM Building 3Floors, Back Guard Building | 12 Pcs of Water Filters, Water Reservoir 1, Water Reservoir 2, Pumping Station 1. (JP Project , Pumping Station 1, Water Reservoir 3 ,Water Sedimentation) |
| 4 | PPI | August 08,2011 | VTRUST PROPERTY CO., LTD | Land | Water Intake Station, Water Elec. Intake Station, Water Vessel. Intake Station |
| 5 | CMK | August 08,2011 | VTRUST PROPERTY CO., LTD | Land of Chamkarmorn Treatment Plant, Water Treatment Plant Building A ; Water treatment Plant Building C; Building G; Building H; Guard House; Fence, Warehouse for Electricity, Cabinet. | Blue Reservoir Well Tower (Steel), Foundation of Reservoir Well Tower , Size 2.56, Q=440m3/h,V=5.9m/h, Water Reservoir, Sedimentation (Concrete), Sedimentation (Concrete), Water Reservoir (Steel), Sedimentation (Steel) |
| 6 | CMKI | August 08,2011 | VTRUST PROPERTY CO., LTD | Land of Intake of Chamkarmorn, Guard House Intake Station | Water Intake Station, Raw water floating Station |
| 7 | KDR | August 08,2011 | VTRUST PROPERTY CO., LTD | Land of Phum Kbal Damrey, Building of Cashier, Guard house | Chlorination room, Water Elevated Tank |
| 8 | TKM | August 08,2011 | VTRUST PROPERTY CO., LTD | Land of Takhmau, Building Cashier, Guard house, Building the Fence | Chlorination room, Water Elevated Tank |
| 9 | CCR | August 08,2011 | VTRUST PROPERTY CO., LTD | Land, ADM BD for Cashier, CCR, Guard house, size:30m2-CCR,Fence | Chlorination room, CCR, Water Elevated Tank, CCR |
| 10 | TPK | August 08,2011 | VTRUST PROPERTY CO., LTD | Land, ADM BD for Cashier, TPK, Guard house, size:30m2-TPK,Fence | Chlorination room, TPK, Water Elevated Tank, TPK |

a-1-6- PPE obtained from mortgage

As at the date of this Disclosure Document, PPWSA had no PPE that was mortgaged.

a-2- Description of biological assets of the company

No biological assets were included in the above valuation.

a-3- Description of intellectual property rights of the company

PPWSA has no any intellectual property rights.

b- Assets valuation and revaluation (including valuation methods, date of valuation, name of independent valuers)

The valuation was conducted using two different methods as follows:

- Sales Comparative Methods
 - Sales comparative method is a valuation technique that was used in the above mentioned valuations. The immovable assets were valued on the basis of price comparisons with transactions involving similar immovable assets.
 - This method generally gives the most reliable indication of the market value, especially when the sales data is adjusted to take into account of the differences between the asset being valued and the comparable asset transaction. Adjustments may be made to have regard to factors such as differences in sales condition, financing, date of sales and other related issues including volume, place, time, improvement, ratio of land to building and other ratio.
- Pricing Methods/Original substitutive price after installment
 - Pricing methods require that all equipment should be valued with installments including selling date and price and/or new selling price at current date. This method based on “**substitutive principle**” which states that each seller will not pay additional price for equipment other than delivery price as well as the same public service without excessive delay. Under this, each type of new equipment is individually evaluated with market and internet research, in order to find its actual purchase price. There is much equipment supporting PPWSA in supplying potable water in Phnom Penh and other areas outside Phnom Penh. In order to evaluate that equipment, independent appraisers use substitutive price method (DRC)/original price method to calculate the price of all equipment under the ownership of PPWSA.

b-1- Table of summary on valuation or revaluation

The table below summarizes the valuation process. The book value of some assets may be significantly different from the actual valuation due to the fact that most immovable property was donated; and accordingly they have not been allocated any historical costs until now.

| Table of summary on valuation or revaluation | | | | | |
|--|---------------------|-----------------|-----------------------------------|---|-------------------|
| Name of assets valued or revalued | Book value 30/06/11 | Appraised Value | Name of valuers | Valuation method | Date of valuation |
| LAND | 73,643,183,898 | 461,827,016,813 | Mr. Chrek Soknim, Mr. Phin Sothea | Sales Comparison | August 08,2011 |
| BUILDING | 126,720,068,006 | 105,452,180,798 | Mr. Chrek Soknim, Mr. Phin Sothea | Depreciated Replacement Cost | August 08,2011 |
| MACHINERY | 34,201,919,696 | 34,559,203,966 | Mr. Chrek Soknim, Mr. Phin Sothea | Depreciated Replacement Cost, Sale Comparison | August 08,2011 |
| MAIN PIPE | 251,256,008,398 | 254,094,377,566 | Mr. Chrek Soknim, Mr. Phin Sothea | Depreciated Replacement Cost, Sale Comparison | August 08,2011 |
| ELECTRICAL EQUIPMENT | 14,642,847,713 | 14,304,061,181 | Mr. Chrek Soknim, Mr. Phin Sothea | Depreciated Replacement Cost, Sale Comparison | August 08,2011 |
| VALVE | 4,254,614,982 | 4,152,894,556 | Mr. Chrek Soknim, Mr. Phin Sothea | Depreciated Replacement Cost, Sale Comparison | August 08,2011 |
| BULK METER | 688,623,871 | 704,690,222 | Mr. Chrek Soknim, Mr. Phin Sothea | Depreciated Replacement Cost, Sale Comparison | August 08,2011 |
| TRANSPORTATION | 4,642,739,420 | 4,243,794,649 | Mr. Chrek Soknim, Mr. Phin Sothea | Depreciated Replacement Cost, Sale Comparison | August 08,2011 |
| GRAND TOTAL | 510,050,005,984 | 879,338,219,751 | | | |

b-2- Valuation or revaluation reasons

PPWSA has valued its immovable assets to estimate their market value and to comply with the SECC's requirements for the IPO.

The scope of the valuation is limited to immovable assets that are used to support PPWSA's production process. It excludes machinery, plant and equipment that are used in the general administration of PPWSA.

b-3- Identity and qualification of valuers

| No. | Valuer's Name | Sex | Nationality | Date of Birth | Qualification |
|-----|------------------|------|-------------|-------------------|--|
| 1 | Mr. Chrek Soknim | Male | Cambodian | 04 May 1979 | Independent Valuer No. 0.01 accredited by SECC |
| 2 | Mr. Phin Sothea | Male | Cambodian | 07 September 1979 | Independent Valuer No. 0.03 accredited by SECC |

SECTION 5: INFORMATION OF COMPANY'S DIRECTORS, SENIOR OFFICERS AND SHAREHOLDERS

1- Directors and senior officers

a- Short biography of directors and senior officers specifying their identity and qualifications

a-1- BOD

| No. | Name | Position at PPWSA | Representative of Institution-Ministry | Sex | Nationality | Date of birth | Place of birth | Education |
|-----|---------------------|-------------------|---|------|-------------|---------------|---------------------------|---|
| 1 | H.E. Meng Saktheara | Chairman of BOD | MIME | Male | Cambodian | 30/05/1972 | Sangkat No.3, Phnom Penh | 1993-1996: - Engineering Specialist in Water Resource Management and Development , National Polytechnique de Lorraine, France 1988-1993: - Engineering Specialist in Mine, Institute of Technology of Cambodia, Phnom Penh, Cambodia |
| 2 | H.E. Ek Sonn Chan | BOD Member | Delegate of Cambodian Government in charge of Director General of PPWSA | Male | Cambodian | 10/03/1950 | Sangkat No. 2, Phnom Penh | 1969-1974: - Electrical Engineer, Institute of Technology of Cambodia, Phnom Penh, Cambodia |
| 3 | H.E. Iv Kheng | BOD Member | Council of Ministers | Male | Cambodian | 07/10/1949 | Sangkat No. 4, Phnom Penh | 1971-1975: - Bachelor's Degree in Literature, Royal University of Phnom Penh, Phnom Penh , Cambodia |

| No. | Name | Position at PPWSA | Representative of Institution-Ministry | Sex | Nationality | Date of birth | Place of birth | Education |
|-----|-------------------|-------------------|--|------|-------------|---------------|--|--|
| 4 | H.E. Chou Vichith | BOD Member | MEF | Male | Cambodian | 14/08/1963 | Sangkat No.5, Phnom Penh | 1991-1994: - Ph.D. Degree in Economics, Timiryazev Agricultural Academy, Moscow, Russia 1985-1990: - Master in Economics, Timiryazev Agricultural Academy, Moscow, Russia |
| 5 | H.E. Song Heng | BOD Member | Ministry of Interior | Male | Cambodian | 16/07/1972 | Prek Ta Ek village, Treuy Sla commune, Sa Ang district, Kandal | 2005-2007: - Master's Degree in Management, National University of Management, Phnom Penh, Cambodia 1999-2004: - Bachelor's Degree in Management, National University of Management, Phnom Penh, Cambodia |
| 6 | Mr. Long Naro | BOD Member | Employees' Representative of PPWSA | Male | Cambodian | 24/02/1966 | Prey Nhy village, Phsar Kroam commune, Bakan district, Pursat | 2003-2006: - MBA, Economics and Finance Institute, Phnom Penh, Cambodia 1984-1989: - Mechanical Engineer, Engineering School for Plant and Construction, Germany |
| 7 | Mr. Nuon Someth | BOD Member | Phnom Penh Municipality | Male | Cambodian | 14/07/1952 | Kokithom commune, Kean Svay district, Kandal | 2005-2007: - Bachelor of Public Administration, Chamroeun Polytechnique Institute, Phnom Penh, Cambodia 1973-1975: - Second year, Faculty of Business, Phnom Penh, Cambodia |

a-2- Senior Officers

| No. | Name | Position at PPWSA | Sex | Nationality | Date of birth | Place of birth | Education |
|-----|-------------------|--|------|-------------|---------------|---|---|
| 1 | H.E. Ek Son Chan | Delegate of Cambodian Government in charge of Director General | Male | Cambodian | 10/03/1950 | Sangkat No. 2, Phnom Penh | 1969-1974: - Electrical Engineer, Institute of Technology of Cambodia, Phnom Penh, Cambodia |
| 2 | Mr. Long Naro | Deputy Director General | Male | Cambodian | 24/02/1966 | Prey Nhy village, Phsar Kroam commune, Bakan district, Pursat | 2003-2006: - MBA, Economic and Finance Institute, Phnom Penh, Cambodia 1984-1989: - Mechanical Engineer, Engineering School for Plant and Construction, Germany |
| 3 | H.E. Neth Mony | State Controller | Male | Cambodian | 14/08/1965 | Takmau commune, Kandal Steung district, Kandal | 1995-1997: - Master in Financial Economics, London University, (Cambodia and England) 1984-1988: - Engineering Specialist in Economics, Engineering School of Telecom, Germany 1981-1984: - High School, Takhmau, Kandal, Cambodia |
| 4 | Mr. Ros Kim Leang | Deputy Director General | Male | Cambodian | 01/01/1962 | Koh Sotin district, Kampong Cham | 2000-2003: - Master of Finance, Economic and Finance Institute, Phnom Penh, Cambodia 1987-1991: - Bachelor of Economics, Economic and Finance Institute, Phnom Penh, Cambodia |

| No. | Name | Position at PPWSA | Sex | Nationality | Date of birth | Place of birth | Education |
|-----|----------------------|--------------------------|------|-------------|---------------|---|---|
| 5 | Mr. Keo Sovannarith | Deputy Director General | Male | Cambodian | 01/01/1969 | Svay Tamek village, Koh Thom commune, Koh Thom district, Kandal | 1989-1995: - Master of Economics, Institute of Architecture and Construction, Russia |
| 6 | Mr. Chea Visoth | Deputy Director General | Male | Cambodian | 07/12/1960 | Kep city, Kampot | 1991-1994: - PhD degree in Engineering, University of Technology Dresden, Germany 1984-1989: - Master of Water Resource Management, University of Technology Dresden, Germany 1983-1984: - Faculty of Language, Leipzig, Germany |
| 7 | Mr. Samreth Sovithia | Deputy Director General | Male | Cambodian | 05/04/1964 | Sangkat No.2, Phnom Penh | 2001-2003: - Master of Management, Economic and Finance Institute, Phnom Penh, Cambodia 1985-1991: - Mechanical Engineer in Light Industry, Institute of Industrial Machine and Equipment, Leningrad, Russia |
| 8 | Mr. Khuth Vuthiarith | Deputy Director General | Male | Cambodian | 22/07/1966 | Onlong Vil village, Onlong Vil commune, Sangke district, Battambang | 1986-1993: - Engineering Specialized in Clean Water and Canal, Institute of Engineering, Russia 1981-1986: - High School, Battambang, Cambodia |
| 9 | Mr. Sim Kheng Lin | Head of Commercial Dept. | Male | Cambodian | 07/09/1947 | Sangkat No.3 Phnom Penh | 1970-1975: - Bachelor of Mathematics, Royal University of Phnom Penh, Phnom Penh, Cambodia |

| No. | Name | Position at PPWSA | Sex | Nationality | Date of birth | Place of birth | Education |
|-----|------------------|----------------------------|--------|-------------|---------------|--|--|
| 10 | Mrs. Roeun Nary | Head of Admin and HR Dept. | Female | Cambodian | 07/05/1967 | Angkor Chey village, Moha Knhung commune, Koh Sotin district, Kampot | 2009-2011: - Master of Law, Cambodian University for Specialties, Phnom Penh, Cambodia 2000-2004: - Bachelor of Management, Build Bright University, Phnom Penh, Cambodia |
| 11 | Mr. Sem Bun Heng | Advisor of PPWSA | Male | Cambodian | 26/10/1951 | Koh Sotin district, Kampon Cham | 1990-1992: - Bachelor of Economics, Economic and Finance Institute, Phnom Penh, Cambodia |

* **Note:** Mr. Chea Visoth, Mr. Ros Kimleang, Mr. Samreth Sovithia, and Mr. Khuth Vuthiarith were appointed as Deputy Director General by the resolution of BOD's meeting held on 29 December 2011.

b- Experiences of directors and senior officers for the last 05 years

b-1- BOD

| No. | Name | Work Experience | Responsibilities of PPWSA |
|-----|---------------------|--|---|
| 1 | H.E. Meng Saktheara | 2008-Present: - Director General, Department of Industry, Mine, and Energy - Chairman of BOD of PPWSA - Chairman of BOD of Siem Reap Water Supply 2005-2008: - Director of Department of Potable Water Supply, MIME - Chief of clean water project and hygiene under World Bank Loan | <ul style="list-style-type: none"> - To determine project development in line with the targets of the RGC pursuant to the requests of the Director General - To determine annual budgets and investments as well as financial reserves for investments - To approve accounting reports - To agree on the organizational structure, the number of employees, general functions in the organization and employees' wages pursuant to the request of the Director General - To permit the opening and closing of agencies or representative offices - To authorize the purchase of fixed assets, pursuant to Prakas No.997 dated on 25 December 1997 on the Procurement Management in Public Enterprises - To recruit an internal auditor and to determine his/her remuneration - To approve contracts and other settlements - To regularly review targets set up for PPWSA and to make amendments if necessary - To request for correction of the statute |
| 2 | H.E. Ek Sonn Chan | 2008-Present: - Delegate of Cambodian Government in charge of Director General of PPWSA 2006-2008: - Director General of PPWSA | |
| 3 | H.E. Iv Kheng | 2006-Present: - BOD member of PPWSA - Official of Council of Ministers (COM) | |
| 4 | H.E. Chou Vichith | 2009-Present: - BOD member of PPWSA 2006-2009: - Deputy Secretary General of MEF - Director of Deputy Prime Minister's cabinet of MEF | |
| 5 | H.E. Song Heng | 2010-Present: - BOD Member of PPWSA 2006-2010: - Deputy Director of Local Authorities Administration Dept. | |

| No. | Name | Work Experience | Responsibilities of PPWSA |
|-----|-----------------|--|---|
| 6 | Mr. Long Naro | 2009-Present: - BOD Member and Employees' Representative of PPWSA 2006-2011: - Deputy Director General of PPWSA | <ul style="list-style-type: none"> - To determine project development in line with the targets of the RGC pursuant to the requests of the Director General - To determine annual budgets and investments as well as financial reserves for investments - To approve accounting reports - To agree on the organizational structure, the number of employees, general functions in the organization and employees' wages pursuant to the request of the Director General - To permit the opening and closing of agencies or representative offices - To authorize the purchase of fixed assets, pursuant to Prakas No.997 dated on 25 December 1997 on the Procurement Management in Public Enterprises - To recruit an internal auditor and to determine his/her remuneration - To approve contracts and other settlements - To regularly review targets set up for PPWSA and to make amendments if necessary - To request for correction of the statute |
| 7 | Mr. Nuon Someth | 2011-Present: - BOD Member of PPWSA April 2010-Present: - Deputy Governor of Phnom Penh Municipality May 2005-April 2010: - Chief of Cabinet and Administrative Director of Phnom Penh Municipality | |

b-2-Senior Officers

| No. | Name | Work Experience | Responsibilities of PPWSA |
|-----|-------------------|--|--|
| 1 | H.E. Ek Sonn Chan | <p>2008-Present:</p> <ul style="list-style-type: none"> - Delegate of Cambodian Government in charge of Director General of PPWSA <p>2006-2008:</p> <ul style="list-style-type: none"> - Director General of PPWSA | <ul style="list-style-type: none"> - Organizing the general meeting of BOD and acting in charge of the functioning of the BOD - Execution of resolutions of the BOD and achievement of the policies determined by the BOD - Preparing action plans of the company and submitting it to the BOD for approval - Annual budgeting of PPWSA and submitting it to the BOD for approval - Preparing annual report on activities, annual financial balance and submitting them to the BOD for approval - Managing PPWSA's employees in the framework determined by the BOD and in accordance with the provisions stipulated in the statute of PPWSA's employees - Selecting, appointing, dismissing any employee and executing the right according to hierarchy - Preparing any contract and signing on any treaty in accordance with the resolution of the BOD - Exercising the right to provide power and right of his signature to any director or directors or to any of his nominees. |
| 2 | Mr. Long Naro | <p>2009-Present:</p> <ul style="list-style-type: none"> - BOD Member of PPWSA <p>2006-2011:</p> <ul style="list-style-type: none"> - Deputy Director General of PPWSA | <ul style="list-style-type: none"> - In charge of technical works and Director of construction project of Chroy Changva WTP Stage II - Director of construction project of Niroth WTP Stage I - Employees' representative of PPWSA |
| 3 | H.E. Neth Mony | <p>2006-Present: Head of Public Property Dept.</p> | <ul style="list-style-type: none"> - Fulfill the obligations stipulated by laws and regulations in effect - Implement resolutions of the BOD - Follow-up on the functioning and evolution of PPWSA - Regulate activities which may affect the financial situation of PPWSA |

| No. | Name | Work Experience | Responsibilities of PPWSA |
|-----|----------------------|--|---|
| 4 | Mr. Ros Kim Leang | Decembre 2011-Present: - Deputy Director General of PPWSA 2006-Present: - Head of Accounting and Finance Dept. | In charge of Financial Affairs and Securities Market, and Head of Accounting and Finance Dept. |
| 5 | Mr. Keo Sovannarith | 2006-Present: - Deputy Director General of PPWSA | In charge of Accounting and Finance Department. |
| 6 | Mr. Chea Visoth | December 2011-Present: - Deputy Director General of PPWSA 2006-2011: - Assistance to Director General in charge of Secretary, and Training and Head of technical committee for valuation. | In charge of BOD, Secretary, and Training |
| 7 | Mr. Samreth Sovithia | December 2011-Present: - Deputy Director General of PPWSA 2006-Present: - Head of Planning & Project Dept. of PPWSA | In charge of Planning and Investment |
| 8 | Mr. Khuth Vuthiarith | December 2011-Present: - Deputy Director General of PPWSA 2006-Present: - Head of Production & Distribution Dept. of PPWSA | In charge of Administration and Human Resources |
| 9 | Mr. Sim Kheng Lin | 2006-Present: - Head of Commercial Dept. of PPWSA | In charge of Commercial Department |
| 10 | Mrs. Roeun Nary | 2008-Present: - Head of Admin and HR Dept. Of PPWSA 2006-2008: - Head of HR office | In charge of General Administration, Security, Order, Protocol Task, Work Safety, HR Management and Development |
| 11 | Mr. Sem Bun Heng | 2011-Present: - Advisor of PPWSA 2006-2011: - Deputy Director General of PPWSA | Assistant to the Director General |

* **Note:** Mr. Chea Visoth, Mr. Ros Kimleang, Mr. Samreth Sovithia, and Mr. Khuth Vuthiarith were appointed as Deputy Director General by the resolution of BOD's meeting held on 29 December 2011.

c- Date of appointment and the termination date of current mandate

| No. | Director's name | Date becoming director | Tenure |
|-------------|---------------------|------------------------|---------|
| BOD Members | | | |
| 1 | H.E. Meng Saktheara | 01 July 2009 | 3 Years |
| 2 | H.E. Ek Sonn Chan | 01 July 2009 | 3 Years |
| 3 | H.E. Iv Kheng | 01 July 2009 | 3 Years |
| 4 | H.E. Chou Vichith | 01 July 2009 | 3 Years |
| 5 | H.E. Song Heng | 11 June 2010 | 3 Years |
| 6 | Mr. Long Naro | 01 July 2009 | 3 Years |
| 7 | Mr. Nuon Someth | 10 March 2011 | 3 Years |

d- If any director is also a director, a shareholder, an owner or a partner of another company, provides the names of such companies:

| No. | Name of director | Name of related company | Director or shareholder or owner or partner |
|-----|------------------|-----------------------------------|---|
| 1 | Mr. Nuon Someth | Diethelm Travel Cambodia Co. Ltd. | Member of BOD |

e- Family relationship among directors and senior officers (if any), state the nature and length of the relationship.

There is no family relationship among directors and senior officers of PPWSA.

2- Involvement of directors and senior officers in certain legal proceedings for the last 10 years**a- Bankruptcy petitioned against any company in which any senior officer or director of the company was a director, a senior officer or a partner**

As of the date of filing this Disclosure Document to the SECC, none of the directors and senior officers of PPWSA were involved in a bankruptcy petitioned against any company in which any director or senior officer of PPWSA was a director, a senior officer or a partner, for the past 10 years.

b- Conviction of any crime or any criminal proceeding pending against a director or senior officer

As of the date of filing this Disclosure Document to the SECC, none of the directors and senior officers of PPWSA were convicted of any crime or any criminal proceeding for the past 10 years.

c- Permanent / temporary jurisdiction of any competent court against any director or senior officer enjoining, barring, suspending or limiting the involvement in any securities or business activity

As of the date of filing this Disclosure Document to the SECC, none of the directors and senior officers of PPWSA were involved in court proceedings under any jurisdiction for enjoining, barring, suspending or limiting the involvement in any securities or business activity

d- Decision of the SECC, Foreign Securities and Exchange Commission or other regulators enjoining, barring, suspending or limiting the involvement of directors or senior officers in any securities or business activity

As of the date of filing this Disclosure Document to the SECC, PPWSA, to the best of its knowledge and belief, is not aware of any decision of the SECC, Foreign Securities and Exchange Commission or other regulators enjoining, barring, suspending or limiting the involvement of directors or senior officers in any securities or business activity.

3- Remuneration or compensation of directors and senior officers

a- Name and position of the five employees who received the highest remuneration or compensation including the aggregate amount of their remuneration or compensation

(Unit: KHR'000)

| No. | Name | Position | Monthly Salary and Compensation | | | Aggregate Amount (Salary and Compensation excluding retirement benefit) | | |
|-----|----------------------|---|---------------------------------|-------|-------|---|--------|--------|
| | | | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 |
| 1 | H.E. Ek Sonn Chan | Director General | 6,591 | - | 7,400 | 79,093 | - | 88,806 |
| 2 | Mr. Long Naro | Deputy Director General | 6,593 | 7,661 | 7,709 | 79,118 | 91,929 | 92,504 |
| 3 | Mr. Sem Bun Heng | Deputy Director General | 6,565 | 7,567 | 7,679 | 78,780 | 90,806 | 92,153 |
| 4 | Mr. Chea Visoth | Assistant to Director General | 6,539 | 7,298 | - | 78,465 | 87,580 | - |
| 5 | Mr. Ros Kim Leang | Head of Accounting and Finance Dept. | 6,436 | - | - | 77,234 | - | - |
| 6 | Mr. Khuth Vuthiarith | Head of Production and Distribution Dept. | - | 7,131 | - | - | 85,571 | - |
| 7 | Mr. Samreth Sovithia | Head of Planning and Project | - | 7,226 | 7,464 | - | 86,706 | 89,572 |
| 8 | Mr. Sim Kheng Lin | Head of Commercial Dept. | - | - | 7,617 | - | - | 91,409 |

* **Note:** A table above indicates ONLY top-five compensations of each year

b- Aggregate amount of remuneration or compensation for non-executive directors

Among 7 BOD members of PPWSA, 5 are non-executive directors.

(Unit: KHR'000)

| No | Position | Aggregate Amount (Salary and Compensation excluding retirement benefits) | | |
|----|-----------------------------|--|---------|---------|
| | | 2008 | 2009 | 2010 |
| 1 | All non-executive directors | 290,143 | 346,068 | 385,808 |

c- Aggregate amount of remuneration or compensation for all directors and senior officers as a group

(Unit: KHR'000)

| No | Position | Aggregate Amount (Salary and Compensation excluding retirement benefits) | | |
|----|---------------------|--|---------|---------|
| | | 2008 | 2009 | 2010 |
| 1 | All Directors | 383,898 | 465,616 | 525,251 |
| 2 | All Senior Officers | 773,582 | 889,050 | 918,649 |

d- Aggregate amount of remuneration or compensation for all directors and senior officers for 01 future fiscal year

(Unit: KHR'000)

| No | Position | Aggregate Amount (Salary and Compensation excluding retirement benefit) | | Percentage Change (%) |
|----|---------------------|---|-----------|-----------------------|
| | | 2010 | 2011 | |
| 1 | All Directors | 525,251 | 538,907 | 2.60% |
| 2 | All Senior Officers | 918,649 | 1,017,393 | 10.75% |

e- Material increase in remuneration or compensation for directors or senior officers during the current and future fiscal year

The BOD agreed and approved in principle on increase of salary and compensation by 15% to BOD members, senior officers, and employees of PPWSA on 30th September 2010.

4- Stock options granted to directors, senior officers and employees**a- Stock options granted to directors**

PPWSA has not granted any stock options to directors.

b- Stock options granted to senior officers

PPWSA has not granted any stock options to senior officers.

c- Stock options granted to employees

PPWSA has not granted any stock options to employees.

5- Shareholders

a- The company's shareholders

a-1- Identity of shareholders who own at least 5% of the equity securities

| No. | Full name | Address | Quantity | Percentage of ownership |
|------------|--------------------------|---|--------------------|--------------------------------|
| 1 | State represented by MEF | St. 92, Sangkat Wat Phnom, Khan Daun Penh, Phnom Penh, Cambodia | 465,028,129 shares | 100% |

a-2- Identity of five employees receiving highest remuneration or compensation who held company's equity securities

As of the date of filing this Disclosure Document to the SECC, there are no such employees. The MEF owns all of PPWSA's equity securities.

a-3- Identity of each director who held the company's equity securities

As of the date of filing this Disclosure Document to the SECC, there are no such directors. The MEF owns all of PPWSA's equity securities.

a-4- Identity of other employees who held the company's equity securities

As of the date of filing this Disclosure Document to the SECC, there are no such employees. The MEF owns all of PPWSA's equity securities.

b- Insolvency of shareholders holding at least 05% of the company's total equity securities

As of the date of filing this Disclosure Document to the SECC, there is no such shareholder. The MEF owns all of PPWSA's equity securities.

SECTION 6: RELATIONSHIP AND TRANSACTION(S) WITH RELATED PARTIES

1- Transactions with shareholders, indicating name, type and date of transactions during the last 5 years prior to the filing of application

PPWSA received loans from MEF in 1997, 1998, 2003 and 2010 according to loan agreements No. 1468 CAM (SF), No.3041KH, No.3746KH, and No.CP-P9 as described in Section 7-3-Capitalization and Indebtedness.

2- Material transactions with directors or senior officers or persons whereby directors or senior officers of the company has interest during the last 5 years prior to the filing of application

There are no such transactions.

3- Material transactions with shareholders holding at least 5% of the outstanding shares during the last 3 years prior to the filing of application

There are no such transactions.

4- Material transactions with family members of directors or senior officers or shareholders holding at least 5% of the outstanding shares during the last 3 years prior to the filing of application

There are no such transactions.

5- Material transactions with persons who have relationship with directors of the company, its subsidiary or holding company where relationship occurred in the transaction or any arrangement with the company during the last 3 years prior to the filing of application

There are no such transactions.

6- Material transactions with persons who were directors or with any person who has relation with former directors of the company during the last 2 years prior to the filing of application

There are no such transactions.

7- Material transactions with directors holding any position in an association or non-profit organization or other companies for the last 2 years prior to the filing of application

There are no such transactions.

8- Material transactions with directors receiving any interest or professional fee for services in which director provided via any firm to the company during the last 3 years prior to the filing of application

There are no such transactions.

SECTION 7: FINANCIAL INFORMATION

1- Exchange Rate

In its financial statements, PPWSA uses the NBC's daily average exchange rate on the transaction date as the official exchange rates for the translation of foreign currencies into KHR for financial reporting purposes.

a- Exchange rates from KHR to USD

| Date | Average exchange rate as of 31 December | Annual average exchange rate |
|------------------------|--|---------------------------------|
| Exchange rate for 2008 | 4,081 | 4,065 |
| Exchange rate for 2009 | 4,169 | 4,154 |
| Exchange rate for 2010 | 4,053 | 4,198 |

* Source: The National Bank of Cambodia

b- Exchange rates from KHR to other currencies

The table below shows other foreign exchange rates used in this Disclosure Document, solely for the convenience of its readers. These are not necessarily the rates that were used by PPWSA for the preparation of its financial statements.

| Date | Average exchange rate as of 31 December | | |
|------------------------|---|---------|---------|
| Currency | EUR/KHR | SDR/KHR | JPY/KHR |
| Exchange rate for 2008 | 5,791 | 6,317 | 45.35 |
| Exchange rate for 2009 | 6,008 | 6,512 | 45.27 |
| Exchange rate for 2010 | 5,390 | 6,242 | 49.73 |

* Source: The National Bank of Cambodia

2- Historical Financial Information

a- Income Statements for the years ended 31 December 2008, 2009 and 2010 and for the nine-month periods ended 30 September 2010 and 2011

The table below shows the income statements, presented by nature, for the years ended 31 December 2008, 2009 and 2010 which have been audited by an independent auditor, the income statement for the nine-month period ended 30 September 2011, which has been reviewed but not audited by an independent auditor and the income statement for the nine-month period ended 30 September 2010 which has not been reviewed nor audited by an independent auditor.

(Unit: KHR'000)

| | 3Q 2011 | 3Q 2010 | 2010 | 2009 | 2008 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| REVENUE | | | | | |
| Sales | 85,624,905 | 76,129,817 | 105,543,540 | 95,599,557 | 91,587,651 |
| Other incomes | 341,928 | 523,354 | 722,373 | 808,703 | 1,266,985 |
| | 85,966,833 | 76,653,171 | 106,265,913 | 96,408,260 | 92,854,636 |
| | | | | | |
| EXPENSES | | | | | |
| Depreciation of tangible and intangible assets | (15,772,428) | (15,279,261) | (20,536,261) | (19,385,600) | (19,286,768) |
| Electricity costs | (17,461,834) | (16,504,451) | (21,223,301) | (16,162,240) | (17,954,346) |
| Salaries, wages and related expenses | (12,203,689) | (12,713,506) | (17,131,407) | (14,110,418) | (12,911,810) |
| Raw materials for water treatment | (3,588,508) | (3,165,770) | (4,111,934) | (4,860,251) | (4,282,832) |
| Raw materials for connections | (4,038,572) | (2,413,411) | (3,686,038) | (3,953,165) | (4,059,654) |
| Repairs and maintenance | (2,210,737) | (1,830,509) | (3,231,125) | (2,389,896) | (2,415,787) |
| Other operating expenses | (2,772,058) | (1,211,287) | (2,804,170) | (1,851,024) | (2,259,712) |
| Foreign exchange gain/(loss)-net | 164,449 | 2,669,215 | 2,687,783 | (898,624) | 2,217,478 |
| | (57,883,377) | (50,448,980) | (70,036,453) | (63,611,218) | (60,953,431) |
| | | | | | |
| Operating profit | 28,083,456 | 26,204,191 | 36,229,460 | 32,797,042 | 31,901,205 |
| | | | | | |
| Interest income | 4,827,159 | 4,952,334 | 6,550,400 | 6,628,182 | 5,535,589 |
| Interest expense | (4,101,517) | (3,704,835) | (4,602,282) | (5,667,455) | (6,859,210) |

| | 3Q 2011 | 3Q 2010 | 2010 | 2009 | 2008 |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| Finance income/(cost) -net | 725,642 | 1,247,499 | 1,948,118 | 960,727 | (1,323,621) |
| | | | | | |
| PROFIT BEFORE INCOME TAX | 28,809,098 | 27,451,690 | 38,177,578 | 33,757,769 | 30,577,584 |
| Income tax expense | (5,967,472) | (5,592,046) | (7,671,226) | (6,824,039) | (6,141,350) |
| Profit for the periods/years | 22,841,626 | 21,859,644 | 30,506,352 | 26,933,730 | 24,436,234 |

* Source: Audited financial statements for the years ended 31 December 2008, 2009 and 2010 and the reviewed (unaudited) interim financial information for the nine-month period ended 30 September 2011.

b- Balance Sheet as of 31 December 2010, 2009 and 2008 and as of 30 September 2011

The table below provides the balance sheets as of 31 December 2008, 2009, 2010, which have been audited by an independent auditor, and the balance sheet as of 30 September 2011, which has been reviewed but not audited by an independent auditor.

(Unit: KHR'000)

| | 30 September 2011 | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 607,467,784 | 541,321,047 | 537,618,634 | 495,123,523 |
| Intangible assets | 928,641 | 996,801 | 748,613 | 732,334 |
| Loan to Pursat Water Supply Authority | 728,152 | 768,266 | 841,839 | 675,444 |
| | 609,124,577 | 543,086,114 | 539,209,086 | 496,531,301 |
| | | | | |
| Current assets | | | | |
| Inventories | 30,176,192 | 20,176,810 | 18,727,228 | 29,523,305 |
| Trade and other receivables | 45,445,005 | 44,376,504 | 19,522,663 | 16,992,486 |
| Loan to Pursat Water Supply Authority | 59,479 | 50,149 | 39,334 | - |
| Income tax receivables | 688,692 | 1,643,818 | - | 1,501,736 |
| Short term investments | 137,866,045 | 129,697,135 | 101,316,122 | 101,576,027 |
| Cash and cash equivalents | 10,866,386 | 7,066,752 | 9,257,348 | 8,978,280 |
| | 225,101,799 | 203,011,168 | 148,862,695 | 158,571,834 |
| | | | | |

| | 30 September 2011 | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|---|----------------------|---------------------|---------------------|---------------------|
| TOTAL ASSETS | 834,226,376 | 746,097,282 | 688,071,781 | 655,103,135 |
| | | | | |
| EQUITY AND LIABILITIES | | | | |
| Share capital | 465,028,129 | 456,000,264 | 456,000,264 | 408,963,236 |
| Reserves | 56,516,674 | 29,060,957 | 5,397,331 | 20,137,299 |
| Retained earnings | 22,841,626 | 30,506,352 | 26,933,730 | 24,436,234 |
| Total equity | 544,386,429 | 515,567,573 | 488,331,325 | 453,536,769 |
| | | | | |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Retirement benefit obligation | 21,535,266 | 20,347,816 | 16,363,022 | 14,923,944 |
| Deferred income tax liabilities | 16,429,146 | 15,279,480 | 11,739,293 | 10,760,993 |
| Borrowings | 182,625,737 | 129,255,377 | 108,961,620 | 95,644,695 |
| Customer deposits | 23,905,518 | 21,854,738 | 19,760,181 | 17,717,657 |
| Deferred government grants and other grants | 7,405,791 | 16,775,584 | 16,886,424 | 27,585,977 |
| | 251,901,458 | 203,512,995 | 173,710,540 | 166,633,266 |
| | | | | |
| Current liabilities | | | | |
| Borrowings | 8,685,816 | 8,758,884 | 11,670,256 | 16,935,740 |
| Income tax payable | - | - | 136,290 | - |
| Trade and other payables | 29,279,673 | 18,257,830 | 14,223,370 | 17,997,360 |
| | 37,938,489 | 27,016,714 | 26,029,916 | 34,933,100 |
| | | | | |
| Total liabilities | 289,839,947 | 230,529,709 | 199,740,456 | 201,566,366 |
| | | | | |
| TOTAL EQUITY AND LIABILITIES | 834,226,376 | 746,097,282 | 688,071,781 | 655,103,135 |

* Source: Audited financial statements for the years ended 31 December 2008, 2009 and 2010 and the reviewed (unaudited) interim financial information for the nine-month period ended 30 September 2011.

3- Capitalization and Indebtedness

a- Capitalization

The following table shows the capitalization of PPWSA as of 30 September 2011, which has been prepared in accordance with the CAS. On the establishment of PPWSA, the initial capital of PPWSA was determined by the initial balance sheet which was approved by the MEF and Phnom Penh Municipality on 22 February 1999. Since then PPWSA's paid-in capital has been increased by the following methods:

- Transferred from reserves – PPWSA's profits are transferred annually to reserves. A portion of the reserves such as development reserve may be transferred to paid-in capital whenever PPWSA considers it necessary for the benefit of its operations. In accordance with letter No. 5259 SHV TR dated 25 August 2006, PPWSA was able to transfer reserves to capital at its own discretion without the MEF's approval. Prior to that, approval was required from the MEF before the transfers.
- Transferred from government and other grants to capital, subject to approval from the MEF.

Through the BOD resolution dated on 15 February 2012, PPWSA's share capital of KHR 465,028,129,000 was divided into common shares and class A shares of 73,927,187 shares and 391,100,942 shares, respectively, each with a par value of KHR 1,000.

The table below is derived from the reviewed (unaudited) interim financial information as of 30 September 2011 contained in this Disclosure Document. Investors should read this information in conjunction with the reviewed (unaudited) interim financial information and the related notes included as appendix 1 to this Disclosure Document. The figures in US\$ are translated at the rate of KHR 4,053 per US\$ for convenience purposes and were not reviewed.

| | 30 September 2011 KHR'000 | 30 September 2011 USD |
|---------------------|--|--------------------------------------|
| EQUITY | | |
| Capital | 465,028,129 | 114,736,770 |
| Reserves | 56,516,674 | 13,944,405 |
| Retained earnings | 22,841,626 | 5,635,733 |
| Total equity | 544,386,429 | 134,316,908 |

* Source: Reviewed (unaudited) interim financial information for the nine-month period ended 30 September 2011.

b- Indebtedness

PPWSA has financed its operation primarily through cash flows from operations, direct loans from the AFD and loans from the MEF which were indirectly financed by direct loans from the WB, the ADB and the JICA to the MEF. The table below sets forth borrowings as of the dates indicated.

| | 30 September 2011 KHR'000 | 31 December 2010 KHR'000 | 31 December 2009 KHR'000 | 31 December 2008 KHR'000 |
|--------------------|---------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Current | | | | |
| Borrowings | 8,658,816 | 8,758,884 | 11,670,256 | 16,935,740 |
| Non-current | | | | |
| Borrowings | 182,625,737 | 129,255,377 | 108,961,620 | 95,644,695 |
| | <u>191,284,553</u> | <u>138,014,261</u> | <u>120,631,876</u> | <u>112,580,435</u> |

* Source: Audited financial statements for the years ended 31 December 2008, 2009 and 2010 and the reviewed (unaudited) interim financial information for the nine-month period ended 30 September 2011.

As of 30 September 2011, PPWSA's total current portion of long-term borrowings was KHR 8,658 million with respect to the WB loan No.3746 KH, the ADB loan No.1468-CAM (SF) and the AFD loan No. CKH 6000 01G; this will be repaid within 12 months after the period end. PPWSA's total non-current portion of long-term borrowings was KHR 182,625 million with respect to the WB loan No.3746 KH, the ADB loan No.1468-CAM (SF), the AFD loan No. CKH 6000 01G, the AFD loan No. CKH 1075 03S and the JICA loan No.CP-P9.

The AFD loan No. CKH 6000 01G and the JICA loan No.CP-P9 were obtained in 2009 and 2010, respectively to finance the construction of the Niroth WTP Stage I in order to increase PPWSA's water supply capacity by a total of 260,000m³ per day by 2015. Niroth WTP Stage I is expected to be completed by 2013 with a production capacity of 130,000 m³ per day and the construction of Niroth WTP Stage II with a production capacity of 130,000 m³ per day will commence right after. The AFD loan No. CKH 6000 01G and the JICA loan No.CP-P9 will be fully repaid in 2021 and 2026, respectively.

The table below shows balances of each loan as of the dates indicated.

| | 30 September 2011 KHR'000 (Unaudited and unreviewed) | 31 December 2010 KHR'000 | 31 December 2009 KHR'000 | 31 December 2008 KHR'000 |
|---|--|--------------------------------|--------------------------------|--------------------------------|
| MEF — World Bank("WB") — Credit No.3041 KH | - | - | 6,663,684 | 15,663,684 |
| MEF — World Bank("WB") — Credit No.3746 KH | 32,272,900 | 19,324,388 | 18,904,474 | 19,801,376 |
| MEF — Asian Development Bank("ADB") — Credit No.1468- CAM (SF) | 39,167,667 | 39,167,667 | 39,167,667 | 39,167,667 |
| Agence Française de Développement ("AFD")—Credit No. CKH 6000 01G | 52,737,137 | 54,611,560 | 55,896,051 | 37,947,708 |
| Agence Française de Développement ("AFD")—Credit No. CKH 1075 03S | 20,209,754 | 7,157,980 | - | - |
| MEF — Japan International Cooperation Agency ("JICA") — Credit No.CP-P9 | 46,897,095 | 17,752,666 | - | - |
| | <u>191,284,553</u> | <u>138,014,261</u> | <u>120,631,876</u> | <u>112,580,435</u> |

* Source: Audited financial statements for the years ended 31 December 2008, 2009 and 2010.

MEF-World Bank ("WB") loan No. 3041 KH

As of 30 September 2011, PPWSA is no longer to be exposed to MEF-World Bank ("WB") loan No. 3041 KH as PPWSA already paid off the principal and interest in 2010 with the amount of KHR 6,663 million in principal. The agreement of the loan was signed on 20 March 1998 and this loan was provided to the Ministry of Economy was re-loaned to PPWSA with the annual interest rate of 8.5%.

MEF - WB loan No. 3746 KH

As of 30 September 2011, the outstanding balance of this loan was KHR 32,272 million. This loan is provided to the MEF by the WB which is then re-loaned to PPWSA as an unsecured loan with an annual interest rate of 8.5%. The loan is provided in Special Drawing Rights (SDR) which was converted into US dollars when disbursed by the WB. The loan was originally entered into on 29 October 2003 with an available facility of SDR 3,440,000 and was subsequently amended on 8 July 2010 to extend the available facility to SDR 8,030,892.70. The principal and interest are repaid in 34 installments on 15 January and 15 July of each year, commencing on 15 January 2009.

MEF —ADB — Credit No.1468-CAM (SF)

As of 30 September 2011, the outstanding balance of this loan was KHR 39,167 million. This loan is provided to the MEF by the ADB which is then re-loaned to PPWSA with an annual interest rate of 6.5%. The loan agreement was signed on 5 May 1997. The interest is payable on 15 January and 15 July each year. The principal, which is repayable on 15 January and 15 July of each year in 60 equal installments, will commence on 15 January 2012 and will be fully repaid by July 2041. The loan was provided in SDR which was converted into US dollars when disbursed by the ADB.

AFD—Credit No. CKH 6000 01G

As of 30 September 2011, the outstanding balance of this loan was KHR 52,737 million. The loan with a principal amount of EURO 11.1 million was obtained directly from the AFD on 30 November 2006 to fund for Chroy Chanvar WTP Stage II project to expand the WTP's capacity to 130,000 m³ per day in order to supply clean water to residents of Khan Sen Sok and Khan Russey Keo — new areas of Phnom Penh. The loan had a floating interest rate of 6-month EURIBOR minus 1.35% per annum with minimum annual interest of 0.25%. From 1 January 2011, the interest rate on the loan was fixed at of 1.49%. The loan will be repaid in 17 equal semi-annual instalments, commencing 31 December 2010 and will be fully repaid on 31 December 2018. The loan was disbursed in EURO and will be repaid in EURO.

AFD—Credit No. CKH 1075 03S

As of 30 September 2011, the outstanding balance of this loan was KHR 20,209 million. The loan was obtained directly from the AFD to fund the construction of Niroth WTP Stage I on 8 May 2009. The loan had a floating interest rate of 6-month EURIBOR minus 1.35% per annum with minimum annual interest of 0.25% and a maximum annual interest of 5.21%. The floating rate is effective until 31 August 2013 and will be replaced with a fixed rate. The interest is payable semi-annually. However, the principal repayments will be made on 16 equal semi-annual installments, commencing 30 November 2013 and will be fully repaid on 31 May 2021. The loan was disbursed in EURO and will be repaid in EURO.

MEF —JICA— Credit No.CP-P9

As of 30 September 2011, the outstanding balance of this loan was KHR 46,897 million. This loan is provided to the MEF by the JICA which is then re-loaned to PPWSA with an annual interest rate 7.35%. The loan was signed on 19 May 2010. The interest is repayable on 20 September and 20 March of each year. The principal, which is repayable on 20 September and 20 March of each year in 24 equal installments, will commence on 20 September 2014 and will be fully repaid on 20 March 2026.

The Table below sets forth the maturity profile of our borrowings as of the dates indicated:

| | 30 September 2011 KHR'000 (Unaudited and unreviewed) | 31 December 2010 KHR'000 | 31 December 2009 KHR'000 | 31 December 2008 KHR'000 |
|------------------------------|--|--------------------------------|--------------------------------|--------------------------------|
| Current | | | | |
| Due within one year | 8,658,816 | 8,758,884 | 11,670,256 | 16,935,740 |
| Non-current | | | | |
| Due within one to two years | 12,425,755 | 10,064,884 | 8,294,556 | 14,614,159 |
| Due within two to five years | 54,626,150 | 34,650,603 | 28,801,667 | 26,463,424 |
| Due after five years | 115,573,834 | 84,539,890 | 71,865,397 | 54,567,112 |
| | 182,625,739 | 129,255,377 | 108,961,620 | 95,644,695 |
| | <u>191,284, 554</u> | <u>138,014,261</u> | <u>120,631,876</u> | <u>112,580,435</u> |

* Source: Audited financial statements for the years ended 31 December 2008, 2009 and 2010.

In addition to repaying the loans based on the above repayment schedules, PPWSA plans to use a portion of the net proceeds from the offering to partly or fully repay the WB loan No. 3746 KH and the JICA loan No.CP-P9. PPWSA has requested the MEF to allow PPWSA to repay early the principals of these loans without breaching the repayment conditions of these loan agreements. PPWSA has not yet obtained an approval from MEF as of 24 February 2012.

4- Management's Discussion and Analysis

The following discussion and analysis were made by management on the results of the operation and the financial position of PPWSA. The following discussion should be read together with the audited financial statements for the years ended 31 December 2008, 2009, 2010 as set out in section 9 of the Disclosure Document and the unaudited interim financial statements for the nine-month period ended 30 September 2011 as set out in appendix 1 to this Disclosure Document. These financial statements have been prepared in accordance with CAS issued by the MEF in its Prakas No.221 dated 25 March 2008. Management has only discussed and analyzed significant items of the financial statements and significant factors affecting the net profit of PPWSA.

a- Overview of operations

PPWSA is a public enterprise under the technical guardianship of the MIME and under the financial guardianship of the MEF. The main missions of PPWSA are to produce, supply and distribute clean water to the population in Phnom Penh and its suburbs, comprising residential, commercial and industrial customers and government institutions. In order to accomplish this mission, PPWSA carries out operational activities on the property, plant and equipment as well as other necessary commercial and financial operations such as production and overall distribution of water within Phnom Penh and its suburbs and expansion and improvement of the production systems and distribution networks.

With the approval of the MIME, in 2004, the assets and operations of Takmao Water Authority, which was under the management of the MIME, were transferred to PPWSA. PPWSA uses these assets to supply and distribute clean water to the population in Takmao City, Kandal Province.

PPWSA's headquarter is located in Phnom Penh. PPWSA has three water treatment plants and four water towers. In 2009, in order to meet the increasing water demand, PPWSA doubled the water treatment capacity of Chrouy Changva WTP from 65,000 m³/day to 130,000 m³/day and built a new water tower with a capacity of 1,500 m³ to replace the old tower in Takmao City.

As of 31 December 2010, PPWSA has 600 employees, 261,958 m of transmission networks, 1,493,011 m of distribution networks, and has treated 102,169,205 m³ of water in 2010 in order to supply potable water to the Phnom Penh population through 202,929 connections. In 2010, PPWSA's service areas coverage was approximately 90% over eight districts in Phnom Penh and its suburbs, excluding the 20 new communes of Phnom Penh. Those eight districts are Daun Penh, 7 Makara, Chamcar Morn, Tuol Kork, Russei Keo, Dangkor, Meanchey and Sen Sok. Due to the expansion of Phnom Penh which has resulted in a creation of new districts, there are opportunities for PPWSA to expand its future service areas and network connections. PPWSA started the construction of Niroth WTP Stage I with a total capacity of 130,000 m³/day in 2010. This project will be completed in 2013, at which time, the construction of Niroth WTP Stage II will commence. The completion of Niroth WTP Stage II will double Niroth WTP's capacity from 130,000 m³/day to 260,000 m³/day and is expected to meet potable water demands for 2015 - 2020.

PPWSA maintains its accounting records and financial statements in Khmer Riel. Other foreign currency transactions will be recorded in Khmer Riel based on the daily average exchange rates announced by the NBC as of the date of the transactions.

a-1- Revenue analysis

PPWSA generates revenues from three main sources; from the sale of water, water connection charges and other revenue.

- Revenue from the sale of water is generated from household, commercial, industrial, and public institution and whole sale customers. This revenue is reported net of discounts, allowances and credits and is recognized based on the volume of water supplied to the customers. Water bills are issued every two months.
- Revenue from water connection charges is generated from making new connections for customers. This revenue is recognized after the completion of the connection.
- Other revenues are generated from water meter maintenance charges, sales of water connection equipment, penalty charges for use of water without the consent of PPWSA and others.
 - Revenue from water meter maintenance is generated from monthly maintenance charge based on the size of the water meter at a rate of KHR 50 per 1 mm of water meter. This revenue will be used to cover the cost of future replacement of water meters.
 - Revenue from the sale of water connection equipment is generated from the sale of water meters, pipelines and connection equipment.
 - Revenue from penalties is generated from late payment penalties and charges for the use of water and water connections without the consent of PPWSA.
 - Others revenues are generated from contributions by commercial and industrial customers for special network connections into their facilities and fees earned for collection of sewerage maintenance charges on behalf of the Phnom Penh municipality.

Year ended 31 December 2009 compared to year ended 31 December 2008

(Unit: KHR'000)

| | 2009 | 2008 | Changes | |
|-----------------------|------------|------------|-----------|------|
| | | | KHR | % |
| Total revenues | 96,408,260 | 92,854,636 | 3,553,624 | 3.83 |

Revenues increased by KHR 3,554 million or 3.83%, from KHR 92,855 million in 2008 to KHR 96,408 million in 2009. This increase is relatively low if compared with growth rates in previous years which were over 10% due to a reduction in the water consumption of commercial and industrial customers in 2009 as a result of the 2009 global financial crisis which resulted in no new investment by these customers. The increase in revenues in 2009 was due to an increase in the number of customers by 12,892 connections from 178,200 to 191,092 connections and a reduction in NRW by 0.25%, from 6.19% to 5.94%. However, these positive effects on revenues were partially offset by a decrease in monthly water consumption per connection by 0.5 m³, from

38.77 m³ to 38.27 m³ and a decline in the average sales tariff by KHR 8.94/m³, from KHR 1,003/m³ to KHR 994.06/m³.

Year ended 31 December 2010 compared to year ended 31 December 2009

(Unit: KHR'000)

| | 2010 | 2009 | Changes | |
|-----------------------|-------------|------------|-----------|-------|
| | | | KHR | % |
| Total revenues | 106,265,913 | 96,408,260 | 9,857,653 | 10.22 |

Revenues increased by KHR 9,858 million or 10.22%, from KHR 96,408 million in 2009 to KHR 106,265 million in 2010, due to an increase in the number of customers by 11,837 connections, from 191,092 to 202,929 connections and an increase in monthly water consumption per connection by 1.82 m³, from 38.27 m³ to 40.04 m³. In addition, the average sale tariff increased by KHR 6.54/m³, from KHR 994.06/m³ to KHR 1,000.60/m³ and NRW decreased by 0.09%, from 5.94% to 5.85 %.

Nine-month period ended 30 September 2011 compared to the nine-month period ended 30 September 2010

(Unit: KHR'000)

| | Nine-month period ended September 2011 (Unaudited) | Nine-month period ended September 2010 (Unaudited and unreviewed) | Changes | |
|-----------------------|--|---|-----------|-------|
| | | | KHR | % |
| Total revenues | 85,966,833 | 76,653,171 | 9,313,662 | 12.15 |

Revenues increased by KHR 9,313 million or 12.15%, from KHR 76,653 million in the nine months ended 30 September 2010 to KHR 85,967 million in the nine months ended 30 September 2011 due to the increase in the number of customers by 13,190 connections, from 202,929 to 216,119 connections. This increase was partially offset by a decrease in monthly water consumption per connection by 0.36 m³, from 40.04 m³ to 39.68 m³ and an increase in NRW by 0.34%, from 6.11% to 6.45%.

a-2- Revenue analysis by segment

(Unit: KHR Million, %)

| | 3Q 2011 | | 2010 | | 2009 | | 2008 | |
|------------------|---------|--------|--------|--------|--------|--------|--------|--------|
| Water Sales | 75,692 | 88.40% | 96,024 | 90.98% | 85,869 | 89.82% | 80,434 | 87.82% |
| Water Connection | 4,857 | 5.67% | 4,466 | 4.23% | 4,833 | 4.58% | 5,438 | 5.15% |
| Other Revenues | 5,076 | 5.93% | 5,054 | 4.79% | 4,897 | 4.64% | 5,716 | 5.42% |

* Source: Audited financial statements for the years ended 31 December 2008, 2009 and 2010 and the reviewed (unaudited) interim financial information for the nine-month period ended 30 September 2011.

Only significant revenue streams are selected for the following analysis.

Year ended 31 December 2009 compared to year ended 31 December 2008

(Unit: KHR'000)

| | 2009 | 2008 | Changes | |
|--|------------|------------|-----------|---------|
| | | | KHR | % |
| Revenue from household sales | 45,969,180 | 42,124,628 | 3,844,552 | 9.13% |
| Revenue from commercial and industrial sales | 34,036,102 | 32,648,675 | 1,387,427 | 4.25% |
| Revenue from government institution sales | 5,452,505 | 5,222,013 | 230,492 | 4.41% |
| Revenue from water connection fees | 4,833,250 | 5,437,795 | (604,545) | -11.12% |
| Other revenues | 4,897,316 | 5,716,220 | (818,904) | -14.33% |

- Revenue from household sales
 - Revenue from household sales increased by KHR 3,844 million or 9.13% from KHR 42,125 million in 2008 to KHR 45,969 million in 2009 due to an increase in the number of customers by 8,909 connections, from 151,438 to 160,347 connections and an increase in monthly water consumption per connection by 0.04m³, from 25.98 m³ to 26.02 m³. This increase in revenue was partially offset by a decrease in the average water tariff by 1.67/m³, from KHR 895.63/m³ to KHR 893.96/m³.
- Revenue from commercial and industrial sales
 - Revenue from commercial and industrial sales increased by KHR 1,387 million or 4.25% from KHR 32,649 million in 2008 to KHR 34,036 million in 2009 due to an increase in the number of customers by 4,240 connections, from 23,845 to 28,085 connections. This increase in revenue was partially offset by a decrease in monthly water consumption per connection by 9.51 m³, from 95.89 m³ to 86.38 m³ and a decrease in the average water tariff by KHR 25.93/m³, from KHR 1,179.18/m³ to KHR 1,153.25/m³.
- Revenue from government institution sales
 - Revenue from government institution sales increased by KHR 230 million or 4.41% from KHR 5,222 million in 2008 to KHR 5,452 million in 2009 due to an increase in the number of customers by 34 connections, from 680 to 714 connections. This increase in revenue was partially offset by a decrease in monthly water consumption per connection by 3.71 m³, from 613.19 m³ to 610.28 m³.
- Revenue from water connection fees
 - Revenue from water connection fees decreased by KHR 605 million or 11.13% from KHR 5,438 million in 2008 to KHR 4,833 million in 2009 due to a decrease in the number of new connections by 2,881 as a result of PPWSA almost reaching its service area coverage limit in Phnom Penh and the fact that its WTPs were reaching their water production capacity limit as Chroy Changvar WTP Stage II was not in operation.

- Other revenues
 - Other revenues decreased KHR 819 million or 14.33% from KHR 5,716 million in 2008 to KHR 4,897 million in 2009 due to a decrease in investment in new connections from the commercial and industrial customers as a result of the global economic crisis.

Year ended 31 December 2010 compared to year ended 31 December 2009

(Unit: KHR'000)

| | 2010 | 2009 | Changes | |
|--|------------|------------|-----------|--------|
| | | | KHR | % |
| Revenue from household sales | 49,531,868 | 45,969,180 | 3,562,688 | 7.75% |
| Revenue from commercial and industrial sales | 39,870,567 | 34,036,102 | 5,834,465 | 17.14% |
| Revenue from government institution sales | 6,333,564 | 5,452,505 | 881,059 | 16.16% |
| Revenue from water connection fees | 4,465,553 | 4,833,250 | (367,697) | -7.61% |
| Other revenues | 5,053,810 | 4,897,316 | 156,494 | 3.20% |

- Revenue from household sales
 - Revenue from household sales increased by KHR 3,563 million or 7.75% from KHR 45,969 million in 2009 to KHR 49,532 million in 2010 due to an increase in the number of customers by 7,586 connections, from 160,347 to 167,933 connections and an increase in monthly water consumption per connection by 0.73 m³, from 26.02 m³ to 26.75 m³. This increase was partially offset by a decrease in the average water tariff by KHR 3.27/m³, from KHR 893.96/m³ to KHR 890.69/m³.
- Revenue from commercial and industrial sale
 - Revenue from commercial and industrial sales increased by KHR 5,834 million or 17.14% from KHR 34,036 million in 2009 to KHR 39,871 million in 2010 due to an increase in the number of customers by 3,834 connections, from 28,085 to 31,919 connections and an increase in monthly water consumption per connection by 2.60 m³, from 86.38 m³ to 88.99 m³.
- Revenue from government institution sales
 - Revenue from government institution sales increased by KHR 881 million or 16.16% from KHR 5,453 million in 2009 to KHR 6,334 million in 2010 due to an increase in number of customers by 23 connections, from 714 to 737 connections and an increase in monthly water consumption per connection by 58.02m³, from 610.28 m³ to 668.30 m³.
- Revenue from water connection fees
 - Revenue from water connection fees decreased by KHR 368 million or 7.61% from KHR 4,833 million in 2009 to KHR 4,466 million in 2010 as PPWSA has almost reached its service area coverage limit in Phnom Penh.

Nine-month period ended 30 September 2011 compared to the nine-month period ended 30 September 2010

(Unit: KHR'000)

| | Nine-month period ended 30 September 2011 (Unaudited) | Nine-month period ended 30 September 2010 (Unaudited and unreviewed) | Changes | |
|--|--|---|----------------|--------|
| Revenue from household sales | 39,264,623 | 36,393,801 | 2,870,822 | 7.89% |
| Revenue from commercial and industrial sales | 32,319,293 | 28,430,535 | 3,888,758 | 13.68% |
| Revenue from government institution sales | 3,820,637 | 4,005,947 | (185,310) | 4.63% |
| Revenue from connection fees | 4,856,895 | 3,486,182 | 1,370,713 | 39.32% |
| Other revenues | 5,076,382 | 3,675,002 | 1,401,380 | 38.13% |

- Revenue from household sales
 - Revenue from household sales increased by KHR 2,871 million or 7.89% from KHR 36,394 million in the nine months ended 30 September 2010 to KHR 39,265 million in the nine months ended 30 September 2011 due to an increase in the number of customers by 12,975 connections, from 167,333 to 180,308 connections. This increase was partially offset by a decrease in the monthly water consumption per connection by 0.54 m³, from 287.52 m³ to 26.98 m³ and a decrease in average water tariff by KHR 1.46/m³, from KHR 898.54/m³ to KHR 897.08/m³.
- Revenue from commercial and industrial sales
 - Revenues from commercial and industrial sales increased by KHR 3,889 million or 13.68%, from KHR 28,431 million in the nine months period ended 30 September 2010 to KHR 32.319 million in the nine months period ended 30 September 2011 due to an increase in the number of customers by 3,063 connections, from 31,900 to 34,963 connections. This increase in revenue was partially offset by a decline in the monthly water consumption per connection by 1.34 m³, from 93.91 m³ to 92.57m³ and a decline in average water tariff by KHR 2.28/m³, from KHR 1,155.97/m³ to KHR 1,153.69/m³.
- Revenue from government institution sales
 - Revenue from government institution sales decreased by KHR 185 million or 4.63% from KHR 4,006 million in the nine months ended 30 September 2010 to KHR 3,821 million in the nine months ended 30 September 2011 due to a decrease in monthly water consumption by 51.94m³, from 665.54 m³ to 613.60 m³.
- Revenue from water connection fees
 - Revenue from water connection fees increased by KHR 1,371 million or 39.32% from KHR 3,486 million in the nine months ended 30 September 2010 to KHR 4,857 million in the nine months ended 30 September 2011 as a result of the expansion of PPWSA's

service area to the suburbs in order to provide potable water to the poor, which was funded by international development partners, particularly the WB. This expansion of service area resulted in an increase in the number of customers by 16,117 connections, from 200,002 to 216,119 connections.

- Other revenues
 - Revenues from other sources increased by KHR 1,401 million or 38.13% from KHR 3,675 million in the nine months ended 30 September 2010 to KHR 5,076 million in the nine months ended 30 September 2011 due to an increase in revenue received for special new connections from commercial and industrial customers as a result of the recovery from the 2008 to 2010 economic crisis which promoted more investment.

a-3- Gross profit margin analysis

PPWSA prepared and presented its income statements by nature, showing no gross profit. However, this presentation enables PPWSA to discuss and analyze operating profits which are calculated by subtracting operating expenses from total income. Details of the operating expenses will be discussed in point “a-4” below.

a-4- Profit before tax

Profit before tax is derived from the subtraction of operating expenses from the sum of gross revenues and net finance income (expenses). The following analysis on operating expense, only discusses the changes in depreciation expenses of tangible assets and amortization of intangible assets, electricity consumption costs and salary, wages and related expenses. These expenses accounted for 82%, 78% and 84% of PPWSA's total operating expenses for the years ended 31 December 2008, 2009 and 2010, respectively.

Year ended 31 December 2009 compared to year ended 31 December 2008

(Unit: KHR' 000)

| | 2009 | 2008 | Changes | |
|---|--------------|--------------|----------------|--------|
| Revenues | 96,408,260 | 92,854,636 | 3,553,624 | 3.83% |
| Electricity consumption costs | (16,162,240) | (17,954,346) | 1,792,106 | 9.98% |
| Finance income | 6,628,182 | 5,535,589 | 1,092,593 | 19.74% |
| Finance cost | (5,667,455) | (6,859,210) | 1,065,173 | 18.79% |
| Salaries, wages and related expenses | (14,110,418) | (12,911,810) | (1,198,608) | 9.28% |
| Depreciation of tangible assets and amortization of intangible assets | (19,385,600) | (19,286,768) | (98,823) | 0.51% |
| Profit before tax | 33,757,769 | 30,577,584 | 3,180,185 | 10.40% |

PPWSA earned profit before tax of KHR 30,578 million in 2008 and KHR 33,758 million in 2009, representing an increase of KHR 3,180 million or 10.40%. The increase in profit before tax was primarily due to the increase in total revenues by KHR 3,554 million or 3.83%, and the reduction of electricity consumption costs through the use of less energy-consuming technologies, such as variable speed pumping machines which enabled PPWSA to save up to KHR 1.792 million while maintaining the same level of productivity. In addition, the increase in profit before tax for 2009 was also due to the increase in finance income of KHR 1,093 million or 19.74% from interest income earned from short term investments in short term deposit at the banks as a

result of the increase in average increase of interest rates of 0.4%, from 6.3% in 2008 to 6.7% in 2009. Concurrently, there was a reduction in interest expenses of KHR 1,065 million or 18.79% because PPWSA had paid almost all of the principal sums on Loan No. 3041-KH, whose annual interest rate is 8.50%, to the MEF. Moreover, the floating interest rate (EURIBOR) on the loan from the AFD decreased on average 2.62% from 3.57% in 2008 to 0.95% in 2009. Despite the reduction in all of the above expenses, there was an increase in salaries, wages and related expenses of KHR 1,199 million or 9.28%, because PPWSA increased annual salaries and duty compensation for the employees. Depreciation on tangible assets and amortization on intangible assets increased by KHR 99 million or 0.51%, because PPWSA purchased additional property, plant and equipment in 2009 in the amount of KHR 23,000 million.

Year ended 31 December 2010 compared to year ended 31 December 2009

(Unit: KHR'000)

| | 2010 | 2009 | Changes | |
|---|--------------|--------------|----------------|---------|
| Revenues | 106,265,913 | 96,408,260 | 9,857,653 | 10.22% |
| Electricity consumption costs | (21,223,301) | (16,162,240) | (5,061,061) | 31.31% |
| Finance income | 6,550,400 | 6,628,182 | (77,782) | -1.17% |
| Finance cost | (4,602,282) | (5,667,455) | 1,065,173 | -18.79% |
| Salaries, wages and related expenses | (17,131,407) | (14,110,418) | (3,020,989) | 21.41% |
| Depreciation of tangible assets and amortization of intangible assets | (20,536,261) | (19,385,600) | (1,150,661) | 5.94% |
| Profit before tax | 38,177,578 | 33,757,769 | 4,419,809 | 13.09% |

PPWSA earned profit before tax of KHR 33,758 million in 2009 and KHR 38,178 million in 2010, representing an increase of KHR 4,420 million or 13.09 %. The increase in profit before tax was primarily due to the increase in total revenues of KHR 9,858 million or 10.22% and the decrease of KHR 1,065 million or 18.79% in interest expenses because PPWSA had paid some of the principal of Loan No. 3041-KH, whose annual interest rate is 8.50%, to the MEF. Moreover, the floating interest rate (EURIBOR) on the loan from the AFD decreased by 0.7%, from 0.95% in 2009 to 0.25% in 2010. In addition, in 2010, instead of recognizing interest expense of KHR 589 million in the income statement, PPWSA capitalized the interest expense as part of the cost of construction of Niroth WTP Stage I. The interest income decreased by KHR 78 million or 1.17% as a result of the drop in bank deposit interest rates, reflecting the decline in capital demand in the market. The electricity consumption cost was one of the three largest expenses of PPWSA, and it increased significantly by KHR 5,061 million or 31.31%, from KHR 16,162 million to KHR 21,223 million due to an increase in water treatment volume by 9,142,416 m³, from 93,026,789 m³ in 2009 to 102,169,205 m³ in 2010 to meet the population's demands in service areas in Phnom Penh as well as the areas surrounding Phnom Penh. Salaries, wages and related expenses increased by KHR 3,021 million or 21.41% in 2010 due to the re-evaluation of the retirement benefits obligation for employees. Depreciation of tangible assets and amortization of intangible assets increased by KHR 1,151 million or 5.94% in 2010 because the construction of much of PPWSA's property, plant and equipment such as Chrouy Changva WTP Stage II, administrative buildings, and pipelines for water distribution was completed and they were put into use during 2010.

Nine-month period ended 30 September 2011 compared to nine-month period ended 30 September 2010

(Unit: KHR'000)

| | Nine-month period ended 30 September 2011 (Unaudited) | Nine-month period ended 30 September 2010 (Unaudited and unreviewed) | Changes | |
|---------------------------------------|--|--|-------------|----------|
| Revenues | 85,966,833 | 76,653,171 | 9,313,662 | 12.15% |
| Electricity consumption costs | (17,461,834) | (16,504,451) | (957,383) | 5.80% |
| Salaries, wages and related expenses | (12,203,689) | (12,713,506) | 509,817 | 4% |
| Depreciation and amortization charges | (15,772,428) | (15,279,261) | 493,167 | 3.2% |
| Foreign exchange gain - net | 164,449 | 2,669,215 | (2,504,766) | -93.84% |
| Finance income | 4,827,159 | 4,952,334 | (125,75) | 2.53% |
| Finance cost | (4,101,517) | (3,704,835) | (396,682) | (10.71%) |
| Profit before tax | 28,809,098 | 27,451,690 | 1,357,408 | 4.94% |

PPWSA earned profit before tax of KHR 27,452 million for the nine months ended 30 September 2010 and KHR 28,809 million for the nine months ended 30 September 2011, representing an increase of KHR 1,357 million or 4.94%. This profit increased was mainly due to the increase in revenues by KHR 9,314 million or 12.15%. The increase in revenues was partially offset by the reduction in net foreign exchange gain of KHR 2,505 million or 93.84% which was mainly due to the appreciation of the EUR against the KHR during 2011 which had a negative impact on PPWSA's foreign currency loans.

a-5- Profit after tax

PPWSA is under the regime of the Laws on Commercial Enterprises in relation to taxation. Therefore, it has an obligation to pay annual profit tax at the rate of 20%. The 20% tax is calculated by applying the 20% tax rate on the taxable profit.

Year ended 31 December 2009 compared to year ended 31 December 2008

(Unit: KHR' 000)

| | 2009 | 2008 | Changes | |
|----------------------------|-------------|-------------|-----------|--------|
| Profit before tax (a) | 33,757,769 | 30,577,584 | 3,180,185 | 10.40% |
| Tax expense (b) | (6,824,039) | (6,141,350) | (682,689) | 11.12% |
| Profit after tax | 26,933,730 | 24,436,234 | 2,497,496 | 10.22% |
| Effective tax rate (b)/(a) | 20.21% | 20.08% | | |

PPWSA earned profit after tax of KHR 24,436 million in 2008 and KHR 26,934 million in 2009, representing an increase of KHR 2,498 million or 10.22%. This increase was mainly due to the increase in profit before tax of KHR 3,180 million or 10.40%. The increase in tax expense of KHR 683 million or 11.12% and the fluctuation in the effective tax rate were mainly due to the fluctuation in non-deductible expenses.

Year ended 31 December 2010 compared to year ended 31 December 2009

(Unit: KHR'000)

| | 2010 | 2009 | Changes | |
|----------------------------|-------------|-------------|-----------|--------|
| Profit before tax (a) | 38,177,578 | 33,757,769 | 4,419,809 | 13.09% |
| Tax expense (b) | (7,671,226) | (6,824,039) | (847,187) | 12.41% |
| Profit after tax | 30,506,352 | 26,933,730 | 3,572,622 | 13.26% |
| Effective tax rate (b)/(a) | 20.09% | 20.21% | | |

PPWSA earned profit after tax of KHR 26,934 million in 2009 and KHR 30,506 million in 2010, representing an increase of KHR 3,573 million or 13.26%. This increase was mainly due to the increase in profit before tax of KHR 4,420 million or 13.09%. The increase in tax expense of KHR 847 million or 12.41% and the fluctuation in effective tax rate were mainly due to the fluctuation in non-deductible expenses.

Nine-month period ended 30 September 2011 compared to nine-month period ended 30 September 2010

(Unit: KHR'000)

| | 3Q 2011 (Unaudited) | 3Q 2010 (Unaudited and unreviewed) | Changes | |
|----------------------------|------------------------|--|-----------|-------|
| Profit before tax (a) | 28,809,098 | 27,451,690 | 1,357,408 | 4.94% |
| Tax expense (b) | (5,967,472) | (5,592,046) | (375,426) | 6.71% |
| Profit after tax | 22,841,626 | 21,859,644 | 981,982 | 4.49% |
| Effective tax rate (b)/(a) | 20.71% | 20.37% | | |

PPWSA earned profit after tax of KHR 21,860 million and KHR 22,842 million for the nine months ended 30 September 2010 and 2011, respectively, representing an increase of KHR 982 million or 4.49%. This growth was mainly due to the increase in profit before tax of KHR 1,357 million or 4.94%. The increase in tax expense of KHR 375 million or 6.71% and the fluctuation in the effective profit tax rate were mainly due to the fluctuation in non-deductible expenses.

a-6- Analysis of factors and trends analysis affecting financial conditions and results

- **Tariff:** PPWSA is a public enterprise with economic and social characteristics. Therefore, the water sale tariff must be approved by the Prime Minister. PPWSA has not modified or increased the tariff for potable water consumption since 2001. All profits and its year-to-year growth are due to the following factors:
- **NRW rate:** PPWSA has used an effective mechanism to reduce NRW from 72% to 5.85% in 1993 and 2010, respectively, which is a major factor in terms of enabling PPWSA to sustain its financial stability and enterprise development.
- **Increase in number of customers:** In order to generate revenues from potable water sale, PPWSA has increased the number of customers by expanding its service coverage to areas where there was no potable water supply. 100% of the expansion of its supply coverage is in Phnom Penh and areas surrounding Phnom Penh, especially areas with high economic potential.

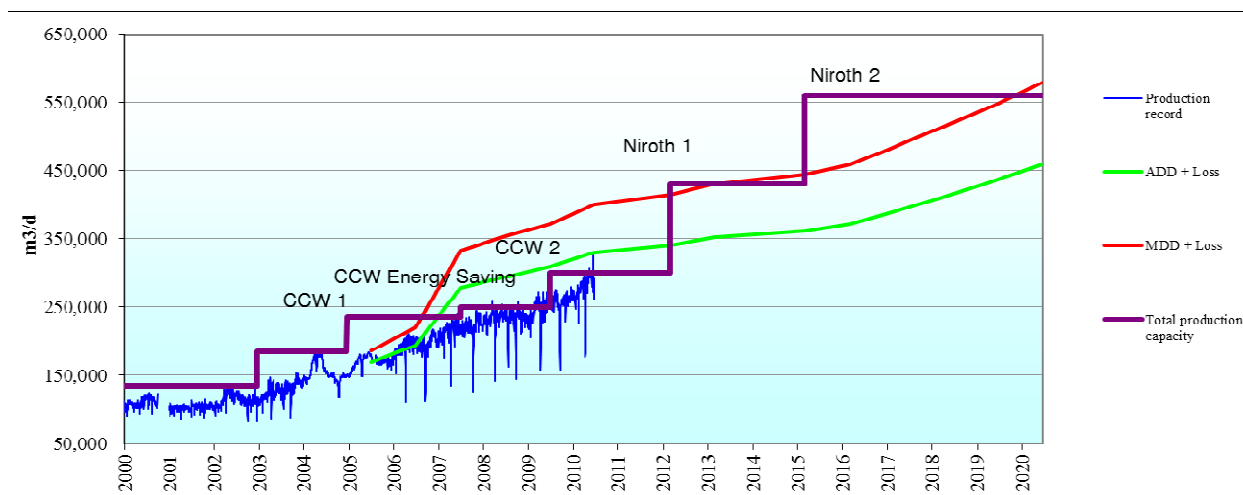
- **Increase in average tariff:** By increasing the numbers of the commercial and industrial customers, PPWSA's average sales tariff has also increased as the water tariff of the customers in this category is higher than that of other customers (as mentioned in section 4, point "c-1-4" of this Disclosure Document).
- **Operating expense management:** PPWSA manages its operating expense, especially the cost of electricity consumption, which is the biggest and an important expense in the water treatment process, by using new technologies such as a pumping machine with variable speed. In 2012, PPWSA started using low cost raw material with highly effective results in its water treatment, such as sediment assembling substance (PAC) instead of alum.
- **Strict practice in procurement process:** PPWSA has strictly adhered to applicable laws, regulations and other guidelines in relation to the procurement process for purchases of pipelines, materials and raw materials. This process is transparency and encourages market price competition, which allows PPWSA to make low cost purchases, without neglecting quality.
- **Collection ratio:** At the end of 2010, PPWSA had a 99.22% collection rate. Not only did this rate give PPWSA high liquidity but it also allowed PPWSA to reinvest effectively.
- **Cash management:** With the above high repayment rate, PPWSA has sufficient capability to manage its cash extremely efficiently. PPWSA reserves cash for two to three months for reinvestment and makes short term investment by making short term deposits at commercial banks for non-reinvested cash with high interest rates, while taking into account of risks and benefits associated with the high interest rates.
- **Choice of financiers with low interest rate:** Due to the high demand for potable water consumption, PPWSA is in need of finance for its investment projects, such as water treatment plants, and main transmission and distribution networks. PPWSA has sought this from international development partners such as the AFD in order to get low interest rate financing.
- **Economic situation:** Changes in economic circumstances affect the average monthly water consumption per connection, which leads to fluctuations in the average water tariff.

b- Significant factors affecting profits

b-1- Demand and supply conditions analysis

Based on a study on water consumption demands in comparison with the population growth in Phnom Penh due to the development of the areas surrounding Phnom Penh, PPWSA has had to construct Niroth WTP Stage II. The investment project for Niroth WTP Stage I with a capacity of 130,000 m³/day has been implemented and it is expected to commence operation in 2013. The investment project for Niroth WTP Stage II, which will provide an additional capacity of 130,000 m³/day, will commence after the completion of the Stage I project in 2013 in order to satisfy potable water demand from 2015.

The graph below illustrates water supply and demand of PPWSA:



* PPWSA

b-2- Fluctuations in prices of raw materials analysis

Fluctuation in prices of raw materials for water treatment only slightly affect the initial cost of production because this expense is not higher than 10% of operating expenses. However, PPWSA applies strict procurement procedures to ensure the conformity of raw material prices to market prices, and this procedure allows PPWSA to obtain a low competitive price. Moreover, in 2012, PPWSA started using sediment assembling substance (PAC) instead of alum, which led to a decrease of KHR 1,000 million in this expense.

b-3- Tax analysis

PPWSA is subject to the Law on Commercial Enterprises for taxation matters, so it has an obligation to pay tax as stipulated in the laws and regulations in force. It is required to pay tax under the real regime tax system and is a large taxpayer as determined by the General Department of Taxation.

b-3-1- Profit tax

PPWSA has an obligation to pay tax at 20% of taxable profit, by prepaying tax on a monthly basis based on 1% of monthly turnover. This prepayment tax of 1% of turnover will be settled with the payment of 20% profit tax at the end of each fiscal year. The total tax on profit for the year will be the higher of the 20% tax on taxable profit and the 1% prepaid tax.

b-3-2- Value Added Tax (VAT)

Since the potable water is a vital need of the population, the government does not collect value added tax on clean water consumption. However, the customers have to pay value added tax at 10% when they get a new connection from PPWSA; this tax is collected for the government by PPWSA because it is an output VAT. This VAT is settled with the 10% input VAT that PPWSA

has to pay to its material suppliers when making a new connection for a customer. For materials other than those for water connection, PPWSA has to pay 10% VAT to the government. This expense is reported as an initial cost of material.

b-3-3- Import tax

PPWSA has an obligation to pay import tax on materials and raw materials at rates ranging from 7% to 35%, depending on the type of goods, as determined by the General Department of Customs and Excise. This import tax is reported as an initial cost of material and imported raw materials.

b-3-4- Tax withheld on interest income

PPWSA has an obligation to pay withholding tax on interest income at the rate of 4% for general deposits and 6% for fixed deposits. This withholding tax is deducted by banks, who later pass on the tax to the government. The withholding tax is recognized as part of finance income in the income statement of PPWSA.

b-3-5- Tax withheld on interest expenses

PPWSA has an obligation to withhold tax on interest expenses at the rate of 14% as determined by the General Department of Taxation. This withholding tax is borne by PPWSA and PPWSA has to pay the AFD the full amount of interest. This tax is recognized as finance cost in the income statement of PPWSA. Under CAS, borrowing cost incurred on the construction of a qualifying asset can be capitalized as part of the asset's cost. Borrowing costs on the loan from AFD are to be capitalized as part of the cost of Niroth WTP Stage I up to 2013 when the Niroth WTP Stage I will be ready for its intended use.

b-3-6- Withholding tax on technical and management service fees

During the construction of Niroth WTP Stage I, PPWSA signed a contract with SAFEGE Company, a sub-contractor, for advisory service on the supervision of the construction work. Beside the advisory service fees, there is also tax withheld from technical and management fees to be paid by PPWSA. These expenses are capitalized as part of costs of Niroth WTP Stage I.

b-3-7- Taxes and customs duties

In addition to the taxes described above, PPWSA has other obligations to pay annual patent fees and other taxes every year. But these taxes are not material to the financial statements of PPWSA.

Although PPWSA incurs taxes as mentioned above, it also receives incentives from the Royal Government in the form of certain tax exemptions since PPWSA's business falls under a priority sector of the Royal Government. These tax exemptions relate to general taxes on the construction of Niroth WTP Stage I using the loan from JICA, which is an expense of the Royal

Government, and VAT on imported construction materials for the construction of Niroth WTP Stage I using the loan from AFD.

After receiving the permission from the SECC for public offering of equity securities, PPWSA will receive tax incentives from the Royal Government in the form of 10% tax reduction on the total amount of tax on profit for 3 years, starting from the registration date for public offering of equity securities.

In 2009, PPWSA signed contracts with its suppliers under the International Commercial Terms (Incoterms) of “delivery duty paid”. Under this term, the goods will be delivered to warehouse of PPWSA and all expenses incurred in bringing the goods to the warehouse of PPWSA will be the responsibility of its suppliers including customs duty. PPWSA also benefits from reduced cost of material through auction or private negotiation.

b-4- Analysis on any exceptional and extraordinary items

At the date of filing of the Disclosure Documents, the management believes that PPWSA does not have any exceptional and extraordinary items.

c- Material changes in sales and revenues

The main revenues of PPWSA are from sales of potable water which is a basic need of the people in Phnom Penh. This stream of revenue alone exceeded 90% of gross revenue in 2010. PPWSA is also the sole water supplier to Phnom Penh city and its outskirts. Revenue streams may increase with the increase in population in various forms, such as the expansion of Phnom Penh city and the movement of population from provinces to Phnom Penh.

d- Impact of exchange rate, interest rate, and commodity prices

d-1- Impact of exchange rate

PPWSA maintains its accounting records in its functional currency the “Riel”. All transactions in foreign currencies are converted into Riel using the average exchange rate on the date of the transaction. Gain or loss arising from the translation and the settlement of assets and liabilities denominated in foreign currencies into Riel are recognized in the income statement. PPWSA had a gain on exchange rate of KHR 2,217 million in 2008, a loss of KHR 899 million in 2009, and a gain of KHR 2,688 million in 2010.

d-2- Impact of interest rate

d-2-1- Impact of interest rate on interest income

Due to the absence of a currency market in Cambodia, PPWSA's only option for short term investment is one-year fixed deposits in local commercial banks. Through the investment in fixed deposits, PPWSA earned interest income of KHR 5,536 million with an average interest rate of 7.08% per annum in 2008, KHR 6,628 million with an average interest rate of 6.60% per annum in 2009, and KHR 6,550 million with an average interest rate of 5.28% per annum in 2010.

d-2-2- Impact of interest rate on interest expense

PPWSA has two financing sources with floating and fixed interest rates. The fixed interest rate financing is received via the MEF from the ADB at the rate of 6.50% per annum, from the WB at the rate of 8.50% per annum and from the JICA at the rate of 7.35% per annum. The floating interest rate loan is received from the AFD at the rate of EURIBOR 6 months minus 1.35%. The interest rates on the loan are within the range of 0.25% and 5.21% per annum. The loan will be converted into a fixed rate loan in September 2013.

If the floating interest rate increased or decreased by 1%, annual profit after tax would decrease or increase by KHR 303,582 million, KHR 447,166 million, and KHR 57,264 million in 2008, 2009 and 2010, respectively.

d-2-3- Impact of product price

According to the procurement process of PPWSA which has to comply with laws and regulations in force, as well as other guidelines, PPWSA has to sign contracts with material and raw material suppliers at a competitive price or negotiable price.

The table below shows the amount and fluctuation rates for the price of raw materials and materials for household connection:

(Unit: KHR' 000)

| | Fluctuation 2009-2010 | 2010 | 2009 | Fluctuation 2008-2009 | 2009 | 2008 |
|--|----------------------------------|-------------|-------------|----------------------------------|-------------|-------------|
| Raw material for clean water treatment | -15.40% | 4,111,934 | 4,860,251 | 13.48% | 4,860,251 | 4,282,832 |
| Material for clean water connection | -6.76% | 3,686,038 | 3,953,165 | -2.62% | 3,953,165 | 4,059,654 |

Despite of fluctuation, raw material for clean water treatment accounts for relatively small portion of operating expense in each year (7.0%, 7.6%, and 5.9% for 2008, 2009 and 2010 respectively). Management believes fluctuation of this amount does not seriously affect the financial situation of PPWSA.

e- Impact of inflation

PPWSA has maintained a stable price for water sale since 2001, without any modification for inflation and perfectly maintains its financial stability.

f- Economic, fiscal and monetary policies of the government

PPWSA's business is influenced by a number of government policies such as:

- Tariff for potable water sale: as potable water is a vital need for the population in Phnom Penh, its price is fixed by the government.

- Service coverage expansion: the expansion of supplementary service coverage for potable water supply is restricted by PPWSA's mission, which allows only the production and distribution of potable water to the public in Phnom Penh. This restriction is determined by Anukret No. 52 ANKR.BK dated 19 December 1996 on the Establishment of PPWSA.
- Phnom Penh expansion: the Royal Government has a policy to expand Phnom Penh, by including 20 more communes, which will lead to the expansion of service areas coverage of PPWSA for potable water supply.
- PPWSA's obligation to finance other institutions: PPWSA is obliged to finance Pursat Water Supply Authority which is under the supervision of the MIME, which is also a guardian ministry of PPWSA.
- Immovable property taxation policy: the MEF adopted Prakas No. 493 SHV.BRK dated 19 July 2010 on Immovable Property Tax Collection. The immovable properties of PPWSA, which are for potable water treatment, are exempted from taxation according to the Notification of the MEF No. 006 SHV.RPD dated 18 May 2011.

Despite restrictions by the above policies, the management seeks out strategies to increase PPWSA's revenues in order to maintain and ensure the stability of PPWSA, as well as to create new business links for PPWSA.

5- Liquidity and Capital Resources

a- Working Capital

The table below shows net working capital of PPWSA on 31 December 2010:

(Unit: KHR'000)

| | 2010 |
|-----------------------|-------------|
| Current assets | 203,011,168 |
| Current liabilities | 27,016,714 |
| Total working capital | 175,994,454 |

* **Note:** total working capital = current asset – current liabilities

PPWSA deposited its cash in domestic commercial banks in fixed-term deposits and current accounts. The deposits in current accounts were for the settlement of short-term loans and trade accounts of suppliers. The remaining cash is used for short term investment, by making a yearly fixed term deposit.

The above table shows that PPWSA had working capital of KHR 175,994 million, which was the net result from the KHR 203,011 million of current assets and KHR 27,017 million of current liabilities. The current assets of KHR 203,011 million include short-term investments and cash and cash equivalents of KHR 136,764 million.

b. Forecasted cash flow

N/A

b-1- Net cash flow from operating activities

N/A

b-2- Net cash flow from investing activities

N/A

b-3- Net cash flow from financing activities

N/A

c- Borrowings

PPWSA has direct sources of finance from the AFD and the MEF. The main conditions are as stipulated in Section 7-5-g- Material commitments of this Disclosure Document.

As of 31 December 2010, PPWSA had total borrowings of KHR 138,014 million from:

- ADB Loan No. 1468-CAM (SF), through the MEF of KHR 39,168 million.
- WB Loan No. 3746-KH, through the MEF of KHR 19,324 million.
- JICA Loan No. CP-P9, through the MEF of KHR 17,753 million.
- AFD Loan No. CKH-6000 01G of KHR 54,612 million.
- AFD Loan No. CKH-1075 03S of KHR 7,158 million.

c-1- Short-term borrowings

PPWSA's short-term borrowings in the financial statements are part of the long-term borrowings, which will be repaid in 12 months after the reporting date.

As of 31 December 2010, PPWSA had total short-term borrowings in the amount of KHR 8,759 million from the MEF (sourced from WB Loan No. 3746-KH) and from AFD Loan No. CKH 6000 01G.

c-2- Long-term borrowings

As at 31 December 2010, PPWSA had total long-term borrowings in the amount of KHR 129,255 million from the MEF (sourced from ADB Loan No. 1468-CAM (SF), WB Loan No. 3746-KH, JICA Loan No. CP-P9, AFD Loan No. CKH 6000 01G and Loan No. CKH 1075 03S.

The long-term borrowings have the following expiration dates:

- From 1 to 2 years' duration: KHR 10,065 million.
- From 2 to 5 years' duration: KHR 34,651 million.
- Over 5 years' duration: KHR 84,540 million.

The table below shows the carrying amounts and fair value of long-term borrowings:

(Unit: KHR' 000)

| | 2010 |
|----------------|-------------|
| Carrying value | 129,255,377 |
| Fair value | 113,693,613 |

The fair values of the loans are based on cash flows discounted using a borrowing rate of 8.5%.

d- Breach of terms and conditions of covenants associated with the borrowings

On the filing date of this Disclosure Document, PPWSA is not aware of any breach of terms and conditions of covenants associated with the borrowings.

e- Types of financial instruments

The table below shows the financial instruments used by PPWSA in 2010:

(Unit: KHR' 000)

| | 2010 |
|------------------------------|--------------------|
| Financial Assets | |
| Trade and other receivables | 20,875,999 |
| Loan to Pursat Water Supply | 818,415 |
| Short-term investments | 129,697,135 |
| Cash and cash equivalents | 7,066,752 |
| | 158,458,301 |
| Financial liabilities | |
| Trade and other payables | 17,293,594 |
| Borrowings | 138,014,261 |
| Customer deposits | 21,854,738 |
| | 177,162,594 |

f- Treasury policies and objectives

PPWSA maintains its working capital in commercial banks in current, savings, and fixed-deposit accounts in KHR and United States dollars.

For cash management, PPWSA has the following major policies and objectives:

- Expenses shall be settled through the bank by check or transfer.
- Expenses over KHR 3,000,000 shall be approved by the Director General.
- Expenses under KHR 500,000 shall be settled using the cash on hand of PPWSA. When the cash on hand is less than KHR 500,000, it shall be replenished up to the amount of KHR 4,000,000.
- Cash deposited with the commercial bank is reserved for cash settlement of all operating expenses within three months. The remaining cash shall be used for short-term investment to earn interest through fixed deposits and savings deposits in a commercial bank.
- Cash paid to sub-cashiers shall be transferred to the central cashier on the same day by attaching the payment report for water bills.
- The central cashier shall transfer the total amount of cash to the commercial bank on the same day after receiving it from the sub-cashiers. Reserved cash comprises cash on hand and cash paid by customers in the afternoon after payment by the sub-cashiers
- Cash flow verification between the bank report and PPWSA's journal shall be performed at the end of each month.

g- Material commitments

PPWSA has capital commitments to be financed by PPWSA's funds, the subsidiary loans from MEF (sourced from the WB and the JICA) and a loan from the AFD. These commitments were not recorded on balance sheet as at 31 December 2010.

This table below shows the capital commitments as at 31 December 2010:

(Unit: KHR' 000)

| | 2010 |
|---|--------------------|
| MEF (WB loan No 3746-KH) | |
| HDPE pipe | 15,848,543 |
| MEF (JICA loan No. CP-P9) | |
| Niroth WTP Stage I | 130,035,520 |
| AFD (Loan No. CKH 1075 O3S) | |
| Niroth WTP Stage I | 30,458,230 |
| Consultation services on Niroth WTP Stage I | 5,198,926 |
| | 181,541,219 |

h- Material Litigation and Contingent Liabilities

h-1- Material litigation

As of the filing date of this Disclosure Document with the SECC, management is not aware of any material litigation involving PPWSA that may adversely affect its business operation, financial position and performance.

h-2- Contingent liabilities

As of the filing date of this Disclosure Document with SECC, management is not aware of any material contingent liabilities that may arise to PPWSA and may adversely affect its business operation, financial position and performance.

i- Key Financial Ratios

(Unit: KHR' 000, Times and %)

| Description | | 3Q 2011 | 2010 | 2009 | 2008 |
|-------------|--|-------------|-------------|-------------|-------------|
| 1 | Solvency ratio (1)/(2) | 66.51% | 71.06% | 73.03% | 71.33% |
| | (1): Total net worth | 544,386,429 | 515,567,573 | 488,331,325 | 453,536,769 |
| | (2): Aggregate of the assets (net amount after deduction of provision and depreciation) and off-balance sheet items, weighted to their degree of credit risk | 818,453,948 | 725,561,021 | 668,686,181 | 635,816,367 |
| 2 | Liquidity ratios | | | | |
| 2.1 | Current ratio (1)/(2) | 5.93 | 7.51 | 5.72 | 4.54 |
| | (1): Current assets | 225,101,799 | 203,011,168 | 148,862,695 | 158,571,834 |
| | (2): Current liabilities | 37,938,489 | 27,016,714 | 26,029,916 | 34,933,100 |
| 2.2 | Quick ratio (1)/(2) | 5.14 | 6.77 | 5.00 | 3.69 |
| | (1): Current assets - Inventories | 194,925,607 | 182,834,358 | 130,135,467 | 129,048,529 |
| | (2): Current liabilities | 37,938,489 | 27,016,714 | 26,029,916 | 34,933,100 |
| 3 | Profitability ratios | | | | |
| 3.1 | Return on assets (1)/(2) | 2.74% | 4.09% | 3.91% | 3.73% |
| | (1): Net profit after tax | 22,841,626 | 30,506,352 | 26,933,730 | 24,436,234 |
| | (2): Total assets | 834,226,376 | 746,097,282 | 688,071,781 | 655,103,135 |
| 3.2 | Return on equity (1)/(2) | 4.20% | 5.92% | 5.52% | 5.39% |
| | (1): Net profit after tax - Dividend paid to preference shareholders | 22,841,626 | 30,506,352 | 26,933,730 | 24,436,234 |
| | (2): Shareholders' equity | 544,386,429 | 515,567,573 | 488,331,325 | 453,536,769 |
| 3.3 | Operating profit margin (1)/(2) | 32.67% | 34.09% | 34.02% | 34.36% |
| | (1): Operating profit | 28,083,456 | 36,229,460 | 32,797,042 | 31,901,205 |
| | (2): Revenue | 85,966,833 | 106,265,913 | 96,408,260 | 92,854,636 |
| 3.4 | Profit margin (1)/(2) | 26.57% | 28.71% | 27.94% | 26.32% |
| | (1): Net profit | 22,841,626 | 30,506,352 | 26,933,730 | 24,436,234 |
| | (2): Revenue | 85,966,833 | 106,265,913 | 96,408,260 | 92,854,636 |
| 3.5 | Earnings per share | 262.63 | 350.76 | 309.68 | 280.96 |
| | (1): Net profit after tax - Dividend paid to preference shareholders | 22,841,626 | 30,506,352 | 26,933,733 | 24,436,234 |
| | (2) Number of ordinary shares outstanding* | 86,973 | 86,973 | 86,973 | 86,973 |

| Description | | 3Q 2011 | 2010 | 2009 | 2008 |
|-------------|---|-------------|-------------|-------------|-------------|
| 4 | Activity ratios | | | | |
| 4.1 | Asset turnover ratio (1)/(2) | 0.10 | 0.14 | 0.14 | 0.14 |
| | (1): Revenue | 85,966,833 | 106,265,913 | 96,408,260 | 92,854,636 |
| | (2): Total assets | 834,226,376 | 746,097,282 | 688,071,781 | 655,103,135 |
| 4.2 | Accounts receivable turnover ratio (1)/(2) | 1.9 | 3.30 | 5.24 | 4.40 |
| | (1): Credit sales (accounts receivable-net) | 85,624,905 | 105,543,540 | 95,599,557 | 91,587,651 |
| | (2): Average accounts receivable | 44,910,755 | 31,949,584 | 18,257,575 | 20,812,497 |
| 4.3 | Accounts payable turnover ratio (1)/(2) | | | | |
| | (1): Purchases (accounts payable-net) | No data | No data | No data | No data |
| | (2): Average accounts payable | 23,768,752 | 16,240,600 | 16,110,365 | 15,606,058 |
| 4.4 | Inventory turnover ratio (1)/(2) | 2.84 | 5.23 | 5.10 | 3.10 |
| | (1): Sales (net sales) | 85,624,905 | 105,543,540 | 95,599,557 | 91,587,651 |
| | (2): Inventory | 30,176,192 | 20,176,810 | 18,727,228 | 29,523,305 |
| 5 | Capital structure analysis ratio | | | | |
| 5.1 | Interest coverage ratio (1)/(2) | 6.85 | 7.87 | 5.79 | 4.65 |
| | (1): Profit before interest and tax | 28,083,456 | 36,229,460 | 32,797,042 | 31,901,205 |
| | (2): Interest expense | 4,101,517 | 4,602,282 | 5,667,455 | 6,859,210 |
| 5.2 | Debt to equity ratio (1)/(2) | 53.24% | 44.71% | 40.90% | 44.44% |
| | (1): Total liabilities | 289,839,947 | 230,529,709 | 199,740,456 | 201,566,366 |
| | (2): Shareholders' equity | 544,386,429 | 515,567,573 | 488,331,325 | 453,536,769 |

* Post-IPO

* Source: Audited financial statements for the years ended 31 December 2008, 2009, 2010 and the reviewed, but (unaudited) interim Financial Information for the nine-month period ended 30 September 2011.

j- Trade receivables

Trade receivables are the amounts that the customers owe PPWSA for clean water consumption, which are expected to be collected within the next 12 months. As at 31 December, 2010, PPWSA's trade receivables totaled KHR 5,224 million.

Other trade receivables include:

- Prepayment to supplier for construction of Niroth WTP Stage I;
- Accrued income from water sales of the last 42 days of 2010;
- Interest to be received from Pursat Water Supply and commercial banks;
- Value added tax to be received.

As at 31 December 2010, PPWSA's other receivables totaled KHR 39,152 million.

k- Inventories

Inventories are stated at the cost incurred in bringing each item to its present location and condition.

Inventories include raw materials, consumables, spare parts and other water supply-related inventories and are valued at the actual cost of bringing the inventory to its intended purpose less allowances for damaged, obsolete and slow-moving items, using the weighted average basis.

Spare parts and water supply-related inventories with a useful life of more than one year are capitalized as property, plant and equipment upon being put into use.

The table below shows PPWSA's inventory as at 31 December 2010:

(Unit: KHR' 000)

| | 2010 |
|---|-------------------|
| Distribution pipes and fittings | 12,722,206 |
| Water meters | 3,203,618 |
| Spare parts and tools | 1,878,818 |
| Chemicals | 1,038,892 |
| Drums and other packages | 249,165 |
| Other materials | 1,148,496 |
| <u>Less:</u> allowance for inventory obsolescence | (64,385) |
| | 20,176,810 |

I- Non-Current Asset

Non-current assets of PPWSA consist of property, plant and equipment, intangible assets and loan to Pursat Water Supply.

I-1- Property, plant and equipment

Property, plant and equipment are stated at historical cost or agreed initial amounts (when they were transferred from the Royal Government of Cambodia) less accumulated depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to PPWSA and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repair and maintenance expenses are charged to the income statement during the financial year in which they are incurred.

Depreciation on all assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as follows:

| | |
|---------------------------------|-------------------------|
| • Land | no depreciation |
| • Building on freehold land | 50 years |
| • Machinery | 10, 15 and 20 years |
| • Fluid equipment | 15, 35, 40 and 50 years |
| • Furniture and office supplies | 7 years |
| • Laboratory equipment | 7 years |
| • Valves and tools | 7 years |
| • Motor vehicles | 7 years |
| • Electrical equipment | 7 years |
| • Water meters | 5 years |

The residual value and useful life of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on the disposal of property, plant, and equipment are determined by comparing the proceeds with the residual value and are recognized in the income statement.

Fully depreciated assets are retained in the accounts until they are no longer in use and there is no further charge for depreciation.

The cost, accumulated depreciation and net book value of the property, plant and equipment of PPWSA as at 31 December 2010 were KHR 721,065 million, KHR 179, 744 million and KHR 541,321 million, respectively.

m. Intangible assets

The intangible assets consist of the accounting software and network system, and are stated at historical cost less accumulated amortization. They are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

The intangible assets are amortized using the straight-line method over their estimated useful life of seven years.

The acquisition cost, accumulated amortization and net book value of the intangible assets of PPWSA as at 31 December 2010 were KHR 1,541 million, KHR 545 million and KHR 997 million.

m-1 Loan to Pursat Water Supply

The loan to Pursat Water Supply was in USD in accordance with the Loan Agreement between PPWSA and Pursat Water Supply dated 4 June 2008 for installing potable water distribution networks in Kandieng district, Pursat province. This loan shall be repaid in 120 monthly installments with an annual interest rate of 5%.

As at 31 December 2010, this loan has a balance of KHR 818 million, of which the short-term portion amounting to KHR 50 million will be repaid in the following year and the long-term portion is KHR 768 million. The loan repayment schedule is as follows:

- Due in less than 1 year: KHR 50 million
- Due within 1 to 2 years: KHR 63 million
- Due within 2 to five years: KHR 269 million
- Due in more than 5 years: KHR 436 million

The table below shows the fair value and carrying value of the non-current portion of the loan to Pursat Water Supply:

(Unit: KHR' 000)

| | 2010 |
|----------------|-------------|
| Carrying value | 768,266 |
| Fair value | 655,847 |

The fair value of this loan is based on the cash flow discounted using a short-term investment rate of 7.50%.

n- Liabilities

PPWSA has trade payables arising from purchases of equipment, raw materials, services and other equipment during the course of business. The trade payables and other payables have been categorized as short-term liabilities, which will be repaid within 1 year.

The table below shows the trade payables and other payables of PPWSA as at 31 December 2010:

(Unit: KHR' 000)

| | 2010 |
|---|-------------------|
| Trade payables | 7,267,774 |
| Accrued staff incentive | 2,100,267 |
| Performance guarantee | 2,736,534 |
| Accrued interest payable | 2,396,354 |
| Amount due to PP Municipality | 1,489,783 |
| Deferred income * | 433,671 |
| Materials for potable water connections | 276,744 |
| Other taxes payable | 399,559 |
| Other payables | 1,157,144 |
| Total | 18,257,830 |

* **Note:** The deferred income is the cash received in advance from the World Bank and Mairie de Paris for installing a clean water connection network for poor customers.

o- Significant contracts

As at the date of submission of the Disclosure Document to the SECC, PPWSA had the following contracts which could be deemed material and required disclosure in the Disclosure Document.

o-1- Loan Agreements

| Loan | WB Loan No. 3746KH | ADB Loan No. 1468-CAM | AFD Loan No. 6000 01 G | JICA Loan No. CP-P9 | AFD Loan No. CKH 1075 03S |
|---------------------|---|--|--|--|---|
| Date of Borrowing | 29 October 2003 Amended 8 July 2010 | 5 May 1997 | 30 November 2006 Amendment on 25 March 2009 and 2 July 2010 | 18 May 2010 | 8 May 2009 |
| Available facility | KHR21,472,480,000 (SDR 3,440,000) Restructuring KHR50,128,832,233 (SDR 8,030,892.70) | SDR 9,605,000 Equal to KHR 38,299,937,500 | KHR 59,829,000,000 (EUR 11,100,000) | KHR174,701,490,000 (Yen 3,513,000,000) | KHR 86,240,000,000 (EUR 16,000,000) |
| Maturity | 15 Jul 2020 | 15 July 2041 | 31 December 2018 | 20 May 2026 | 31 May 2021 |
| Interest Condition | 8.5%, Semi-annual payment | 6.5%, Semi-annual payment | 6 months EURIBOR - 1.35% ≥ 0.25 | 7.35%, Semi-annual payment | EURIBOR - 1.35% ≥ 0.25 and ≤ 5.21 |
| Repayment Condition | Amortization | Amortization | Amortization | Amortization | Amortization |
| Grace Period | 5 years | N/A | 18 months | 5 years | 48 months |

- WB Loan No. 3746KH
 - This loan was provided initially to the MEF. Then, the MEF sub-loaned it to PPWSA with an annual interest rate of 8.5%. The loan agreement was made on 29 October 2003 and subsequently amended on 8 July 2010. The principal and interest amounts are scheduled to be repaid in 34 installments; payable on 15 January and 15 July of each year. The repayment commenced on 15 January 2009 after a grace period of around five years.
- ADB Loan No. 1468-CAM
 - This loan was provided initially to the MEF. Then, the MEF sub-loaned it to PPWSA with an annual interest rate of 6.5%. The loan agreement was signed on 5 May 1997. The principal and interest amounts are scheduled to be repaid in 60 installments; payable on 15 July and 15 January of each year commencing in 2012.

- AFD Loan No. CKH 6000 01G
 - This is a direct loan from the AFD to PPWSA. The loan agreement was signed on 30 November 2006. The loan had a floating interest rate of 6-month EUROBOR minus 1.35% per annum with minimum annual interest of 0.25%. From 1 January 2011, the interest rate on the loan was fixed at 1.49%. The loan is to be repaid in 17 equal semi-annual installments commencing from 31 December 2010.
- JICA Loan No. CP-P9
 - The MEF received a loan from the JICA and sub-loaned it to PPWSA with an annual interest rate of 7.35%. The loan agreement was signed on 18 May 2010. The principal and interest amounts shall be repaid on 20 March and 20 September of each year. After a grace period of around five years, the repayment schedule will be from 20 September 2014 to 20 March 2026.
- AFD Loan No. CKH1075 03S
 - This is a direct loan from the AFD to PPWSA with a floating interest rate of 6-month EURIBOR minus 1.35%, with minimum annual interest of 0.25% and a maximum annual interest of 5.21%. The floating rate is effective until 31 August 2013 and will be replaced with a fixed rate, thereafter. The principal and interest amounts are scheduled to be repaid in 16 half-yearly installments commencing from 30 November 2013 to 30 November 2021.

o-2- CONSTRUCTION CONTRACTS AND CONSTRUCTION SUPERVISION CONTRACTS as of 30 September 2011

- Contract No. NIROTH-CW-01A PPWSA/AFD
 - On 10 June 2010, PPWSA and Dayen Environmental Limited (the “Contractor”) signed a Contract for the Construction of the Intake and Raw Water Transmission Main (Part A) of the Niroth WTP Project Stage I. The contract price is KHR 54,227,113,500, or USD 13,379,500. PPWSA has already paid KHR 25,910, 695,696.83, or USD 6,392,967.11 and the outstanding amount is KHR 28,316,417, 803.17 or USD 6,986,532.89.
 - The contract duration is 30 months from the date of its signature.
- Contract No. NIROTH-CW-01B PPWSA/JICA
 - As at 25 June 2011, PPWSA and Dayen Environmental Limited signed a Contract for the Construction of the Potable Water Treatment Plant and Water Transmission Main (Part B) of the Niroth WTP Project Stage I. The price of the contract is KHR 147, 788,186,700 or USD 36,463,900. PPWSA has already paid KHR 49,247,739, 433.41 or USD 12,150,934.97 and the outstanding amount is KHR 98,540,447,266.59 or USD 24,312,965.03.
 - The contract duration is 30 months from the date of its signature.

- Contract No.NIROTH-CS-01 A PPWSA/AFD
 - The Contract for Construction Supervision Consulting was made between PPWSA and Safe Consulting Engineers (the “Consultant”) on 3 May 2010. The Consultant assists PPWSA in supervising the construction of the Niroth WTP. The estimated cost of the service is KHR 7,726,629,680 or 1,433,512 Euro and the payment under this contract shall not exceed the estimated cost. The ceiling amount for the contract price under the lump sum basis is KHR 890,309,420 or 165,178 Euro.

o-3- SUPPLIER CONTRACT

PPWSA and Nary Chhean Thong Co., LTD (the “Supplier”) entered into a Contract for the Supply of Alum for 30 years on 24 April 2000.

The Supplier agreed to supply alum produced at its plant to PPWSA for 30 years from 4 October 2000 to 4 October 2030. The quantity and price of the alum will be fixed every year based on the requirements of PPWSA and the market price.

6- Trend Information

PPWSA cannot foresee any financial trend.

7- Dividend policy

In accordance with the resolution of the BOD dated on 15 February 2012 and approval from the MEF in its capacity as the Financial Guardian of PPWSA, the dividend policy shall be determined in line with the principle of profit allocation as follows:

- 1) Compensation for loss(es) incurred in previous years
- 2) After the compensation for loss, the remaining profit, if any, shall be distributed in the following manner:
 - a) Reward to management and employees
 - i. If the remaining profit accounts for **5% to 10%** of the operating expenses of PPWSA, the reward shall equal to the amount of **one month** of net salary of the management and each employee.
 - ii. If the remaining profit accounts for **11% to 20%** of the operating expenses of PPWSA, the reward shall equal to the amount of **two months** of net salary of the management and each employee.
 - iii. If the remaining profit accounts for **21% or more** of the operating expenses of PPWSA, the reward shall equal to the amount of **three months** of net salary of the management and each employee.
 - b) 2% for Retirement Benefits.
 - c) 5% for Legal Reserve

- d) 5% for Free Reserve
 - e) 5% for Social Fund which shall be recorded as expenses in the year of transaction
- 3) Any remaining amount following the above distribution shall be allocated to a reserve and/or distributed as dividend to ordinary shareholders as determined by the BOD.

8- Projected financial information

PPWSA has decided not to disclose the projected financial information in this Disclosure Document.

9- Consolidated Financial Information

As PPWSA has no subsidiaries, there is no consolidated financial information.

10- Off-balance sheet

PPWSA does not have any off-balance sheet items.

SECTION 8: THE DIRECTOR'S REPORT ON THE VALUATION OF THE COMPANY'S PERFORMANCE

1- Principal Activities

The main activities of PPWSA are the production and supply of water to Phnom Penh and Takmao residents; building and expanding the water treatment and distribution systems and carrying out other water supply related activities.

2- Financial Performance

The financial performance for the years ended 31 December 2008, 2009, 2010 and the nine month period ended 30 September 2011 is set out in the income statement.

PPWSA's performance is discussed in detail in Section 7.4 – management discussion and analysis.

3- Assets

As at the date of this report, the Board of Directors is not aware of any circumstance which would give misleading values for the assets in the financial statements of the PPWSA.

4- Valuation Methods

At the date of this report, the Board of Directors is not aware of any circumstances that have arisen that would render adherence to the existing method of valuation of assets and liabilities in the financial statements of PPWSA misleading or inappropriate.

5- Contingent and Other Liabilities

At the date of this report there does not exist:

- any charge on the assets of PPWSA that has arisen since the end of the year which secures the liabilities of any other person; or
- any contingent liability in respect of PPWSA that has arisen since the end of the year.

No contingent or other liability of PPWSA has become enforceable, or is likely to become enforceable within the years ended 31 December 2008, 2009 and 2010 and the nine month period ended 30 September 2011 that, in the opinion of the Board of Directors, will or may have a material effect on the ability of PPWSA to meet its obligations as and when they fall due.

6- Change of Circumstances

As of the date of this report, the Board of Directors is not aware of any circumstances not otherwise dealt with in this report or the financial statements of PPWSA that would render any amounts stated in the financial statements misleading.

7- Items of an unusual nature

The financial performance of PPWSA for the years ended 31 December 2008, 2009, 2010 and the nine months ended 30 September 2011 was not materially affected by any items, transactions or events of a material and unusual nature.

8- Events after the Balance Sheet Date

Other than those events disclosed in the Note to the financial statements, there has not arisen in the interval between the end of the last financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the financial performance of PPWSA for the years ended 31 December 2008, 2009, 2010 and the nine month period ended 30 September 2011, in which this report is made.

9- Board of Director's Responsibility for the Financial Statements

The Board of Directors is responsible for ensuring that the financial statements are properly drawn up so as to present fairly, in all material respects, the financial position of PPWSA as at 31 December 2008, 2009, 2010 and 30 September 2011 and of its financial performance and cash flows for the years and period then ended.

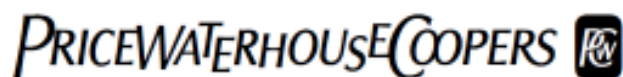
In preparing these financial statements, the Board of Directors is required to:

- adopt appropriate accounting policies in accordance with the Cambodian Accounting Standards ("CAS") which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- comply with the disclosure requirements of the CAS, or if there has been any departure in the interest of true and fair presentation, this has been appropriately disclosed, explained and quantified in the financial statement;
- maintain adequate accounting records and an effective system of internal controls;
- prepare the financial statements on a going concern basis unless it is inappropriate to assume that PPWSA will continue operations in the foreseeable future; and
- effectively control and direct PPWSA and be involved in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The Board of Directors of PPWSA do hereby confirm that the financial statements, together with the notes thereto, present fairly, in all material respects, the financial position of PPWSA as at 31 December 2008, 2009, 2010 and 30 September 2011 and its financial performance and cash flows for the years and period then ended in accordance with Cambodian Accounting Standards..

For the information related to the business prospect, the business strategies and future plan of the Company, the investors can read and analyze the relevant information as described in the section 4-1-Business Description, 4-1-b-Business Strategies including competitive strength in the market and future plan and section 7-4-Management's Discussion and Analysis.

SECTION 9: ACCOUNTANT'S REPORT



PricewaterhouseCoopers (Cambodia) Ltd.
35, Sihanouk Boulevard, Chamkarmon
Phnom Penh, Kingdom of Cambodia
Telephone (855) 23 218 086
Facsimile (855) 23 211 594

Independent auditor's report

To the Shareholders of Phnom Penh Water Supply Authority

We have audited the accompanying financial statements of Phnom Penh Water Supply Authority ("the Authority"), which comprise the balance sheet as at 31 December 2010, 2009 and 2008 and the income statement, statements of changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Phnom Penh Water Supply Authority as at 31 December 2010, 2009 and 2008, and its financial performance and its cash flows for the years then ended in accordance with Cambodian Accounting Standards.

For PricewaterhouseCoopers (Cambodia) Ltd.

By Kuy Lim
Director

Phnom Penh, Kingdom of Cambodia
Date: 19 August 2011

PHNOM PENH WATER SUPPLY AUTHORITY

BALANCE SHEET

AS AT 31 DECEMBER 2010, 2009 AND 2008

| | | 31 December 2010 | 31 December 2009 | 31 December 2008 |
|--------------------------------------|-------------|-----------------------------|-----------------------------|-----------------------------|
| | Note | KHR'000 | KHR'000 | KHR'000 |
| | | | Restated | Restated |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 5 | 541,321,047 | 537,618,634 | 495,123,523 |
| Intangible assets | 6 | 996,801 | 748,613 | 732,334 |
| Loan to Pursat Water Supply | 8 | 768,266 | 841,839 | 675,444 |
| | | <u>543,086,114</u> | <u>539,209,086</u> | <u>496,531,301</u> |
| Current assets | | | | |
| Inventories | 10 | 20,176,810 | 18,727,228 | 29,523,305 |
| Trade and other receivables | 11 | 44,376,504 | 19,522,663 | 16,992,486 |
| Loan to Pursat Water Supply | 8 | 50,149 | 39,334 | - |
| Income tax receivable | 9 | 1,643,818 | - | 1,501,736 |
| Short-term investments | 12 | 129,697,135 | 101,316,122 | 101,576,027 |
| Cash and cash equivalents | 13 | 7,066,752 | 9,257,348 | 8,978,280 |
| | | <u>203,011,168</u> | <u>148,862,695</u> | <u>158,571,834</u> |
| Total assets | | <u>746,097,282</u> | <u>688,071,781</u> | <u>655,103,135</u> |
| EQUITY AND LIABILITIES | | | | |
| EQUITY | | | | |
| Capital | 14 | 456,000,264 | 456,000,264 | 408,963,236 |
| Reserves | 15 | 29,060,957 | 5,397,331 | 20,137,299 |
| Retained earnings | | 30,506,352 | 26,933,730 | 24,436,234 |
| Total equity | | <u>515,567,573</u> | <u>488,331,325</u> | <u>453,536,769</u> |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Retirement benefit obligation | 18 | 20,347,816 | 16,363,022 | 14,923,944 |
| Deferred income tax liabilities | 17 | 15,279,480 | 11,739,293 | 10,760,993 |
| Borrowings | 16 | 129,255,377 | 108,961,620 | 95,644,695 |
| Refundable water deposits | | 21,854,738 | 19,760,181 | 17,717,657 |
| Deferred government and other grants | 19 | 16,775,584 | 16,886,424 | 27,585,977 |
| | | <u>203,512,995</u> | <u>173,710,540</u> | <u>166,633,266</u> |
| Current liabilities | | | | |
| Borrowings | 16 | 8,758,884 | 11,670,256 | 16,935,740 |
| Income tax payable | 9 | - | 136,290 | - |
| Trade and other payables | 20 | 18,257,830 | 14,223,370 | 17,997,360 |
| | | <u>27,016,714</u> | <u>26,029,916</u> | <u>34,933,100</u> |
| Total liabilities | | <u>230,529,709</u> | <u>199,740,456</u> | <u>201,566,366</u> |
| Total equity and liabilities | | <u>746,097,282</u> | <u>688,071,781</u> | <u>655,103,135</u> |

The accompanying notes on pages 201 to 250 form an integral part of these financial statements.

PHNOM PENH WATER SUPPLY AUTHORITY

INCOME STATEMENT

FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

| | Notes | 2010 KHR'000 | 2009 KHR'000 Restated | 2008 KHR'000 Restated |
|---|--------------|-------------------------|--------------------------------------|--------------------------------------|
| REVENUES | | | | |
| Sales | 21 | 105,543,540 | 95,599,557 | 91,587,651 |
| Other income | 19 | 722,373 | 808,703 | 1,266,985 |
| | | <u>106,265,913</u> | <u>96,408,260</u> | <u>92,854,636</u> |
| EXPENSES | | | | |
| Depreciation and amortisation charges | 5 & 6 | (20,536,261) | (19,385,600) | (19,286,768) |
| Electricity cost | | (21,223,301) | (16,162,240) | (17,954,346) |
| Salaries, wages and related expenses | 22 | (17,131,407) | (14,110,418) | (12,911,810) |
| Raw materials for water production | 23 | (4,111,934) | (4,860,251) | (4,282,832) |
| Raw materials for household water connections | 24 | (3,686,038) | (3,953,165) | (4,059,654) |
| Repairs and maintenance | | (3,231,125) | (2,389,896) | (2,415,787) |
| Other operating expenses | | (2,804,170) | (1,851,024) | (2,259,712) |
| Foreign exchange gain/(loss) – net | 25 | 2,687,783 | (898,624) | 2,217,478 |
| | | <u>(70,036,453)</u> | <u>(63,611,218)</u> | <u>(60,953,431)</u> |
| Operating profit | | 36,229,460 | 32,797,042 | 31,901,205 |
| Finance income | | 6,550,400 | 6,628,182 | 5,535,589 |
| Finance cost | | (4,602,282) | (5,667,455) | (6,859,210) |
| Finance income/(cost) – net | 26 | <u>1,948,118</u> | <u>960,727</u> | <u>(1,323,621)</u> |
| PROFIT BEFORE INCOME TAX | | 38,177,578 | 33,757,769 | 30,577,584 |
| Income tax expense | 27 | <u>(7,671,226)</u> | <u>(6,824,039)</u> | <u>(6,141,350)</u> |
| NET PROFIT FOR THE YEAR | | <u>30,506,352</u> | <u>26,933,730</u> | <u>24,436,234</u> |

The accompanying notes on pages 201 to 250 form an integral part of these financial statements.

PHNOM PENH WATER SUPPLY AUTHORITY

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008**

| | Notes | Capital KHR'000 | Reserves KHR'000 | Retained earnings KHR'000 | Total KHR'000 |
|--|--------------|----------------------------|-----------------------------|--|--------------------------|
| 2008 | | | | | |
| As at 1 January 2008 as previously reported | | 408,963,236 | 7,987,006 | 22,403,357 | 439,353,599 |
| Change in accounting policy | 2.s | - | - | (8,012,713) | (8,012,713) |
| As at 1 January 2008 as restated | | 408,963,236 | 7,987,006 | 14,390,644 | 431,340,886 |
| Transfer to reserves - restated | 15 & 2.s | - | 14,390,644 | (14,390,644) | - |
| Profit paid to the Royal Government of Cambodia | 15 | - | (2,240,351) | - | (2,240,351) |
| Net profit for the year | | - | - | 24,436,234 | 24,436,234 |
| As at 31 December 2008 – restated | | <u>408,963,236</u> | <u>20,137,299</u> | <u>24,436,234</u> | <u>453,536,769</u> |
| 2009 | | | | | |
| As at 1 January 2009 as previously reported | | 408,963,236 | 28,150,012 | 24,436,234 | 461,549,482 |
| Impact of adjustment in prior year | 2.s | - | (8,012,713) | - | (8,012,713) |
| As at 1 January 2009 as restated | | 408,963,236 | 20,137,299 | 24,436,234 | 453,536,769 |
| Transfer to capital | 14 & 15 | 47,037,028 | (36,732,578) | - | 10,304,450 |
| Transfer to reserves | 15 | - | 24,436,234 | (24,436,234) | - |
| Profit paid to the Royal Government of Cambodia | 15 | - | (2,443,624) | - | (2,443,624) |
| Net profit for the year | | - | - | 26,933,730 | 26,933,730 |
| As at 31 December 2009 – restated | | <u>456,000,264</u> | <u>5,397,331</u> | <u>26,933,730</u> | <u>488,331,325</u> |
| 2010 | | | | | |
| As at 1 January 2010 | | 456,000,264 | 5,397,331 | 26,933,730 | 488,331,325 |
| Transfer to reserves | 15 | - | 26,933,730 | (26,933,730) | - |
| Profit paid to the Royal Government of Cambodia | 15 | - | (2,693,373) | - | (2,693,373) |
| Distribution of reserves for corporate social activities | 15 | - | (576,731) | - | (576,731) |
| Net profit for the year | | - | - | 30,506,352 | 30,506,352 |
| As at 31 December 2010 | | <u>456,000,264</u> | <u>29,060,957</u> | <u>30,506,352</u> | <u>515,567,573</u> |

The accompanying notes on pages 201 to 250 form an integral part of these financial statements.

PHNOM PENH WATER SUPPLY AUTHORITY

**STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008**

| | Note | 2010 KHR'000 | 2009 KHR'000 Restated | 2008 KHR'000 Restated |
|---|-------------|-------------------------|--------------------------------------|--------------------------------------|
| Cash flows from operating activities | | | | |
| Cash generated from operations | 28 | 40,102,202 | 60,225,285 | 61,608,866 |
| Interest paid | | (4,284,345) | (5,910,749) | (5,659,496) |
| Taxation paid | | (5,911,147) | (4,207,713) | (2,723,973) |
| Retirement benefit obligation paid | 18 | (411,999) | (315,226) | (231,298) |
| Net cash generated from operating activities | | <u>29,494,711</u> | <u>49,791,597</u> | <u>52,994,099</u> |
| Cash flows from investing activities | | | | |
| Purchases of property, plant and equipment | 5 | (23,475,573) | (61,424,758) | (47,262,166) |
| Purchases of intangible assets | 6 | (424,680) | (167,061) | - |
| Proceeds from sale of property, plant and equipment | | - | 177,581 | 98,899 |
| Loan repayments received from Electricité Du Cambodge ("EDC") | | - | - | 2,138,077 |
| Loan to Pursat Water Supply | | - | (225,979) | (675,444) |
| Loan repayments received from Pursat Water Supply | | 62,758 | 20,250 | - |
| Short-term investments | 12 | (28,381,013) | 259,905 | (55,194,780) |
| Interest received | | <u>6,420,920</u> | <u>6,239,716</u> | <u>4,419,269</u> |
| Net cash used in investing activities | | <u>(45,797,588)</u> | <u>(55,120,346)</u> | <u>(96,476,145)</u> |
| Cash flows from financing activities | | | | |
| Profit paid to the Royal Government of Cambodia | 15 | (2,693,373) | (2,443,624) | (2,240,351) |
| Distribution of reserves for corporate social activities | 15 | (576,731) | - | - |
| Proceeds from borrowings | 16 | 29,167,439 | 18,713,355 | 23,809,810 |
| Repayments of borrowings | 16 | <u>(11,785,054)</u> | <u>(10,661,914)</u> | <u>(9,000,000)</u> |
| Net cash generated from financing activities | | <u>14,112,281</u> | <u>5,607,817</u> | <u>12,569,459</u> |
| Net increase/(decrease) in cash and cash equivalents | | <u>(2,190,596)</u> | <u>279,068</u> | <u>(30,912,587)</u> |
| Cash and cash equivalents, beginning of the year | | <u>9,257,348</u> | <u>8,978,280</u> | <u>39,890,867</u> |
| Cash and cash equivalents, end of the year | 13 | <u>7,066,752</u> | <u>9,257,348</u> | <u>8,978,280</u> |

Non-cash transactions

- The principal non-cash transactions are the acquisition of property, plant and equipment under government grants amounting to Riel 611,533,000 for 2010, Riel 413,600,000 for 2009 and Riel 4,159,908,000 for 2008 (Note 19), which are excluded from the statement of cash flows.
- Conversion from an AfD grant to capital in 2009, which amounted to Riel 10 billion and a transfer from reserves, which amounted to Riel 37 billion (Note 14).

The accompanying notes on pages 201 to 250 form an integral part of these financial statements.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

1. BACKGROUND INFORMATION

Phnom Penh Water Supply Authority (“the Authority”) is a Public Autonomous Institution that is under the technical supervision of the Phnom Penh Municipality and the financial supervision of the Ministry of Economy and Finance (“MoEF”), with its headquarters in Phnom Penh. It has economic appendix status in accordance with Article 26 of Royal Kram 0696/03 dated 17 June 1996, giving it the general status of a public enterprise. Phnom Penh Water Supply Authority is a legal entity with an autonomous administration and financing. Phnom Penh Water Supply Authority was established in accordance with the Sub-decree on the establishment of Phnom Penh Water Supply Authority signed and issued by the then two Prime Ministers of the Royal Government of Cambodia and a Senior Minister and a Minister of Economy and Finance. The Sub-decree is dated 19 December 1996.

The Authority is now under the supervision of the Ministry of Industry, Mines and Energy (“MIME”), rather than the Phnom Penh Municipality, in accordance with Sub-decree No. 14 ANKR BK dated 24 May 2004.

According to the establishing Sub-decree, the mission of the Authority is to process and distribute water for general use by the public in the city of Phnom Penh. In order to fulfil this mission, the Authority is allowed to carry out operational activities on the property, plant and equipment as well as other necessary commercial and financial operations, such as:

- Production and overall distribution of water within the city of Phnom Penh and its suburbs;
- Expansion, improvement and rehabilitation of the production systems and distribution networks; and
- Doing business with existing and any future water distribution networks.

In accordance with letter No. 802 URT.TS dated 30 November 2004, the MIME agreed to transfer the operations and assets of Takmao Water Authority to be managed by the Authority.

The registered office of the Authority is North of the Cambodia Railway Station, Phnom Penh, Kingdom of Cambodia. The Authority had 600 employees in 2010, 602 employees in 2009 and 592 employees in 2008.

The financial statements were approved for issue by the Board of Directors on 19 August 2011.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of preparation

The financial statements of the Authority which are expressed in Khmer Riel ("KHR" or "Riel"), have been prepared in accordance with Cambodian Accounting Standards ("CAS"), which consist of eighteen Cambodian Accounting Standards and two Cambodian Financial Reporting Standards ("CFRS"). They were issued by the MoEF under Prakas No. 221 dated 25 March 2008.

The Authority has elected to adopt early the following Cambodian International Financial Reporting Standards ("CIFRS"), which are effective for annual periods beginning on or after 1 January 2012:

- CIAS 19 - Employee Benefits
- CIAS 23 (Revised) - Borrowing Costs
- CIAS 34 - Interim Financial Reporting

Please refer to Notes 2.b.2 and 2.b.3 for a discussion of the impact of the early adoption of the above standards.

These financial statements have been prepared in connection with the procedures that are undertaken for an initial public offering of the Authority's shares on the Cambodian Securities Exchange. The accounting principles applied may differ from generally accepted accounting principles adopted in other countries and jurisdictions.

The accompanying financial statements are not intended to present the financial position, financial performance and cash flows in accordance with jurisdictions other than Cambodia. Consequently, these financial statements are addressed to only those who are informed about Cambodian accounting principles, procedures and practices.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in accordance with CAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. Areas involving a higher degree of judgement or complexity, and areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. New and amended accounting standards and interpretations

b.1. New standards and amendments to existing standards effective from 1 January 2008

- (i) New standards and amendments effective from 1 January 2008 that have material impacts on the Authority's financial statements

- CAS 1 (Revised), Presentation of Financial Statements (effective from 1 January 2008)

The standard (i) provides a framework within which an entity assesses how to present fairly the effects of transactions and other events, and assesses whether the result of complying with a requirement in a standard would be so misleading that it would not give a fair presentation; (ii) bases the criteria for classifying liabilities as current or non-current solely on the conditions existing at the balance sheet date; (iii) prohibits the presentation of items of income and expense as "extraordinary items"; (iv) requires disclosures of significant management judgements made in the process of applying selected accounting policies that have the most significant effect on the amounts recognised in the financial statements, in addition to those involving estimations; and (v) specifies disclosures of key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. It also requires additional disclosures on the entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and if it has not complied, the consequences of such non-compliance. Management has applied the amendments to CAS 1 and has made those disclosures for annual periods beginning 1 January 2008.

- CFRS 7, Financial Instruments: Disclosures, and a complementary amendment to CAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2008)

CFRS 7 introduces new disclosures for financial instruments. It requires disclosure of qualitative and quantitative information of an entity's exposures to risks arising from financial instruments, including minimum disclosures on credit risk, liquidity risk and market risk and sensitivity analysis of market risk. It replaces CAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions. It is applicable to all entities that report under CAS. The amendment to CAS 1 introduces capital management disclosures. Management assessed the impact of CFRS 7 and the amendment to CAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk, liquidity risk and the capital management disclosures required by the amendment of CAS 1 as disclosed in Note 3. Management has applied CFRS 7 and the amendment to CAS 1 for annual periods beginning 1 January 2008.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. New and amended accounting standards and interpretations (continued)

b.1. New standards and amendments to existing standards effective from 1 January 2008 (continued)

- (ii) Standards that have been issued or amended but do not substantially impact the Authority's financial statements:

| Standard | Status |
|---|---------|
| ▪ CAS 2 – Inventories | Amended |
| ▪ CAS 7 – Cash Flow Statements | Amended |
| ▪ CAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors | Amended |
| ▪ CAS 10 – Events after the Balance Sheet Date | Amended |
| ▪ CAS 12 – Income Taxes | Amended |
| ▪ CAS 16 – Property, Plant and Equipment | Amended |
| ▪ CAS 17 – Leases | New |
| ▪ CAS 18 – Revenue | Amended |
| ▪ CAS 21 – The Effects of Changes in Foreign Exchange Rates | Amended |
| ▪ CAS 23 – Borrowing Costs | New |
| ▪ CAS 24 – Related Party Disclosures | Amended |
| ▪ CAS 37 – Provisions, Contingent Liabilities and Contingent Assets | Amended |
| ▪ CAS 38 – Intangible Assets | Amended |

b.2. New standards and amendments to existing standards issued which are effective from 1 January 2012 but are adopted early by the Authority

In accordance with Prakas No. 068BK MEF dated 8 January 2009 of the MoEF and Announcement No. 097/09 MEF dated 28 August 2009 of the National Accounting Council, Cambodia shall fully implement all International Financial Reporting Standards, including interpretations, published by the International Accounting Standards Board. The full standards will be called the Cambodian International Financial Reporting Standards ("CIFRS") and are mandatory for entities with public accountability for accounting periods beginning on or after 1 January 2012. The Authority is a publicly accountable entity as it is in the process of an initial public offering on the Cambodian Securities Exchange.

In accordance with Prakas No. 101BK MEF dated 24 February 2011 of the MoEF and its annex, during the transition period, i.e. from the listing date to 31 December 2011, issuers shall apply a set of accounting standards and financial reporting standards that are annexed to the Prakas, i.e. 29 standards. Accordingly, issuing companies that are trading shares on or before 31 December 2011 will have to change their accounting framework from CAS (applied for the 2010 financial statements) to the 29 standards (for the 2011 financial statements, together with the restated 2010 financial statements) and then to CIFRS (for the 2012 financial statements, together with the restated 2011 financial statements). To reduce the burden of unnecessary changes, during a meeting on 22 July 2011 between the Securities and Exchange Commission of Cambodia ("SECC") and the Authority, the SECC, as the regulator, granted the Authority approval in principle to apply CAS for the years ending 31 December 2011 and 2010.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. New and amended accounting standards and interpretations (continued)

b.2. New standards and amendments to existing standards issued which are effective from 1 January 2012 but are adopted early by the Authority (continued)

The CIFRS consist of improvements to the existing Cambodian Accounting Standards and Cambodian Financial Reporting Standards and new standards, and related interpretations. The Authority will fully adopt CIFRS for the accounting period beginning on 1 January 2012.

- CIAS 19, Employee Benefits

The objective of this standard is to prescribe the accounting and disclosure requirements for employee benefits. The standard requires an entity to recognise: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the entity consumes the economic benefit arising from service provided by an employee in exchange for employee benefits. Benefit obligations for post-employment benefits and other long-term employee benefits are measured using the projected unit credit method.

The Authority adopted this standard for the accounting period beginning from 1 January 2010. The standard was adopted retrospectively, resulting in an increase in the retirement benefit obligation, a reduction in opening retained earnings and a reduction in net deferred income tax liabilities of Riel 10 billion, Riel 8 billion and Riel 2 billion, respectively. Please refer to Note 2.s for the impact of the early adoption of CIAS 19.

- CIAS 23 (Revised), Borrowing Costs

The revision to the standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in CIAS 39, Financial Instruments: Recognition and Measurement.

The Authority adopted this standard for the accounting period beginning from 1 January 2010, resulting in a capitalisation of interest expense of Riel 588 million as part of its qualified fixed assets in 2010. The impact of the interest expense of its qualified assets in 2009 is not significant and there were no qualified assets in 2008. Previously, the Authority expensed all borrowing costs, as this is allowed under CAS 23.

The Authority has adopted early the above two standards to align its accounting policies to conform to CIFRS and to reduce the impact of the change when it applies CIFRS, as these are standards that have a significant impact on the Authority's financial statements.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. New and amended accounting standards and interpretations (continued)

b.3. New standard issued which is effective from 1 January 2012 but will be adopted early by the Authority from 1 January 2011

- CIAS 34, Interim Financial Reporting

The objective of this standard is to prescribe the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period. The Authority will adopt this standard for the accounting period beginning from 1 January 2011. There is no impact from the adoption of this standard other than the need for the preparation of interim financial information.

b.4. New standards and amendments to existing standards issued which are effective from 1 January 2012 and the Authority has not adopted them early

- CIAS 1 (Revised), Presentation of Financial Statements

CIAS 1 (Revised) prohibits the presentation of items of income and expense (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in other comprehensive income, but entities can choose whether to present one statement of comprehensive income or two statements (an income statement and a statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated statement of financial position as at the beginning comparative period in addition to the current requirement to present the statement of financial position at the end of the current period and comparative period. When adopting this standard from 1 January 2012, it is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

In addition, CIAS 1 (Revised) clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by the transfer of cash or other assets for at least 12 months after the accounting period), notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. Management is currently assessing the impact of the adoption of this standard on the financial statements.

- CIAS 24 (Revised), Related Party Disclosures

The amendment (a) simplifies the definition of a related party, clarifies its intended meaning and eliminates inconsistencies from the definition; and (b) provides a partial exemption from the disclosure requirements for government-related entities. Management is currently assessing the impact of the adoption of this standard on the financial statements.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. New and amended accounting standards and interpretations (continued)

b.4. New standards and amendments to existing standards issued which are effective from 1 January 2012 and the Authority has not adopted them early

- CIAS 20, Accounting for Government Grants and Disclosure of Government Assistance

This standard provides guidance on accounting for and disclosure of government grants and on the disclosure of other forms of government assistance. A government grant is not recognised until there is reasonable assurance that the entity will comply with the conditions attached to it, and that the grant will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan shall be recognised and measured in accordance with CIAS 39 Financial Instruments: Recognition and Measurement. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with CIAS 39 and the proceeds received. The benefit is accounted for in accordance with this standard. As disclosed in Note 2.b.4 – CIAS 39, CIFRS 1 allows the requirements for recognition of ‘day one’ profits to be applied prospectively for transactions entered into after the date of transition to CIFRS. The Authority intends to apply this exemption. Management is currently assessing the impact of the adoption of this standard on the financial statements.

- CIAS 32, Financial Instruments: Presentation

This standard establishes principles for presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities. It provides guidance on the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; classification of related interest, dividends, losses and gains; and circumstances in which financial assets and financial liabilities should be offset. In addition, it requires entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation, as equity, provided the financial instruments have particular features and meet specific conditions. CIAS 32 will be adopted retrospectively. Management is currently assessing the impact of the adoption of this standard on the financial statements.

- CIAS 33, Earnings Per Share

This standard prescribes principles for the determination and presentation of earnings per share so as to improve performance comparisons between different entities in the same reporting period and between different reporting periods for the same entity. Even though earnings per share data have limitations because of the different accounting policies that may be used for determining ‘earnings’, a consistently determined denominator enhances financial reporting. The focus of this standard is on the denominator of the earnings per share calculation. Adoption of this standard will result in additional disclosures on the information of earnings per share in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. New and amended accounting standards and interpretations (continued)

b.4. New standards and amendments to existing standards issued which are effective from 1 January 2012 and the Authority has not adopted them early (continued)

- CIAS 36, Impairment of Assets

This standard prescribes procedures that an entity shall apply to ensure that its non-financial assets are carried at no more than their recoverable amount. Under the terms of the standard, an asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and the standard requires the entity to recognise an impairment loss. The standard also specifies when an entity should reverse an impairment loss and prescribes disclosures.

The Authority will apply CIAS 36 and provide the required disclosure where applicable for impairment tests from 1 January 2012. Management is assessing the impact to the financial statements.

- CIAS 38 (Amendment), Intangible Assets

The following amendments were made to CIAS 38.

- A prepayment may only be recognised in the event that payment has been made in advance of obtaining the right of access to goods or receipt of services. This amendment will not result in a material impact on the Authority's financial statements.
- The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight-line method. Management is assessing the impact to the financial statements.
- The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if the assets have similar useful economic lives. The amendment will not have an impact on the Authority's financial statements because it is not relevant to the Authority.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. New and amended accounting standards and interpretations (continued)

b.4. New standards and amendments to existing standards issued which are effective from 1 January 2012 and the Authority has not adopted them early (continued)

- CIAS 39, Financial Instruments: Recognition and Measurement

This standard provides guidance on the recognition and measurement of financial instruments, including the categorisation of financial assets and liabilities, accounting for derivatives, and impairment.

- Categorisation of financial assets and liabilities

Financial assets are to be categorised into four groups: 1) financial assets at fair value through profit and loss; 2) held-to-maturity investments; 3) loans and receivables; and 4) available-for-sale financial assets. The categorisation depends on the purpose for which the financial assets were acquired. Financial liabilities are either categorised as 1) financial liabilities at fair value through profit and loss or 2) financial liabilities carried at amortised cost.

- Recognition and measurement of financial instruments

Financial assets in the form of loans and receivables and held-to-maturity investments and financial liabilities measured at amortised cost are to be initially recognised at fair value net of transaction costs and to be subsequently carried at amortised cost using the effective interest method and recognised through the income statement.

- CIAS 39, Financial Instruments: Recognition and Measurement (continued)

- Impairment of financial assets

Assessment of financial assets should be made at each balance sheet date to determine whether there is any objective evidence that a financial asset or group of assets may be impaired. If such impairment evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

From 1 January 2013, classification and measurement of financial instruments under CIAS 39 will be replaced by CIFRS 9.

Adoption of CIAS 39 will impact the recognition and measurement of the Authority's borrowings. However, CIFRS 1 provides an optional exemption for an entity to recognise 'day one' profits prospectively for transactions entered into after the date of transition to CIFRS. The Authority intends to apply this exemption. Management is currently assessing the impact of the adoption of CIAS 39 on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. New and amended accounting standards and interpretations (continued)

b.4. New standards and amendments to existing standards issued which are effective from 1 January 2012 and the Authority has not adopted them early (continued)

- CIFRS 1, First-time Adoption of Cambodian International Financial Reporting Standards

The standard applies when an entity adopts CIFRS for the first-time by an explicit and unreserved statement of compliance with CIFRS.

- In general, CIFRS 1 requires an entity to comply with each CIFRS effective at the end of its first CIFRS reporting period. In particular, the CIFRS requires an entity to do the following in the opening CIFRS statement of financial position that it prepares as a starting point for its accounting under CIFRS.
- The standard grants limited exemptions from these requirements in specified areas where the cost of complying with them would be likely to exceed the benefits to users of financial statements. CIFRS 1 also prohibits retrospective application of CIFRS in some areas; particularly where retrospective application would require judgements by management about past conditions after the outcome of a particular transaction is already known.
- CIFRS 1 requires disclosures that explain how the transition from previous accounting standards to CIFRS affected the entity's reported financial position, financial performance and cash flows.

The Authority will adopt this standard for the accounting period beginning on 1 January 2012 and the transition date is 1 January 2011. The Authority has decided to elect the following:

- The requirement for the recognition of 'day one' profits to be applied prospectively for transactions entered into after the date of transition to CIFRS.
- CIFRS 2 Share-based Payments

This standard specifies the financial reporting by an entity when it undertakes a share-based payment transaction. In particular, it requires an entity to reflect in its profit or loss and financial position the effects of share-based payment transactions, including expenses associated with transactions in which share options are granted to employees.

This standard will impact the Authority if the Authority decides to provide a share-based payment scheme to its employees in the future.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. New and amended accounting standards and interpretations (continued)

b.4. New standards and amendments to existing standards issued which are effective from 1 January 2012 and the Authority has not adopted them early (continued)

- CIFRS 7 (Amendment), Financial Instruments – Disclosures

The amendment requires the following:

- Disclosures about fair value measurement by level of a fair value measurement hierarchy and liquidity risk.
- Interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments.

This amendment will only result in additional disclosures.

- CIFRS 8, Operating Segments

This standard sets out the requirement for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It requires segment information to be reported based on the entity's operating segment. Operating segments are components of an enterprise in which separate financial information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the same basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments.

Management of the Authority is in the process of assessing the impact of the standard on the financial statements.

- CIFRIC 10, Interim Financial Reporting and Impairment

An entity shall not reverse an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. Management of the Authority is in the process of assessing the impact of the standard on the financial statements.

- CIFRIC 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

For the purpose of this interpretation, minimum funding requirements are any requirements to fund a post-employment or other long-term defined benefit plan. The interpretation addresses the issue (i) when refunds or reductions in future contributions should be regarded as available; (ii) how a minimum funding requirement might affect the availability of reductions in future contributions; and (iii) when a minimum funding requirement might give rise to a liability. Management of the Authority is in the process of assessing the impact of this interpretation on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. New and amended accounting standards and interpretations (continued)

b.5. New standards and amendments to existing standards issued which are effective from 1 January 2013 and the Authority has not adopted them early

- CIAS 19 (Revised), Employee Benefits

The amendment requires an entity to recognise all changes in the net defined benefit liability/ (asset) in the period in which those changes occur, and to disaggregate and recognise the defined benefit cost. Furthermore, the main changes to the recognition requirements are (i) immediate recognition of actuarial gain or loss in other comprehensive income; (ii) immediate recognition of any past service cost in the income statement; and (iii) a redefining of the components of defined benefit cost.

Adoption of this amendment would result in a reclassification of actuarial gain or loss currently recognised in the income statement to other comprehensive income. The Authority is currently assessing the full impact of this amendment on the financial statements.

- CIFRS 9, Financial Instruments

CIFRS 9 establishes principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the entity's future cash flows. CIFRS 9 will replace the classification and measurement guidance of CIAS 39 for financial assets and financial liabilities from 1 January 2013. CIFRS 9 specifies how an entity should classify and measure financial assets, including some hybrid contracts. It requires all financial assets to be: (a) classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset; (b) initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and (c) subsequently measured at amortised cost or fair value. The Authority will apply CIFRS 9 from 1 January 2013. Management is currently assessing the impact of this standard on the financial statements.

- CIFRS 13, Fair Value Measurement

This CIFRS (i) defines fair value; (ii) sets out in a single CIFRS, a framework for measuring fair value; and (iii) requires disclosures about fair value measurements. Management is currently assessing the impact of this standard on the financial statements.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Authority are measured using the currency of the primary economic environment in which the Authority operates ("the functional currency"). The Authority maintains its accounting records and its financial statements in Khmer Riel ("Riel" or "KHR"), the Authority's functional currency. The functional currency is Riel because of the significant influence of the Riel on its operations. The financial statements are presented in Riel, which is the Authority's presentation currency.

(ii) Transactions and balances

Transactions in currencies other than Riel 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 Riel are recognised in the income statement.

d. Property, plant and equipment

Property, plant and equipment are stated at historical cost or agreed initial amounts (when they were transferred from the Royal Government of Cambodia) less accumulated depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

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 Authority 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 income statement during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate the cost of each asset to their residual values over their estimated useful lives as follows:

| | |
|--------------------------------|-------------------------|
| Building on freehold land | 50 years |
| Machinery | 10, 15 and 20 years |
| Fluid equipment | 15, 35, 40 and 50 years |
| Office furniture and equipment | 7 years |
| Laboratory equipment | 7 years |
| Valves and tools | 7 years |
| Motor vehicles | 7 years |
| Electricity equipment | 7 years |
| Water meters | 5 years |

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of these assets.

e. Intangible assets

Intangible assets consist of accounting software and network software and are stated at historical cost less accumulated amortisation and accumulated impairment losses, if any. They are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Intangible assets are amortised using the straight-line method over their estimated useful lives of seven years.

f. Impairment of assets

The carrying amounts of the Authority's assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses are recognised in the income statement.

g. Inventories

Inventories are stated at cost incurred in bringing each product to its present location and condition.

Inventories include raw materials, consumables, spare parts and other water supply-related inventories and are valued at the actual cost of bringing the inventory to its intended purpose less allowances for damaged, obsolete and slow-moving items using the weighted average basis.

Spare parts and water supply-related inventories with a useful life of more than one year are capitalised as property, plant and equipment upon being put into use.

h. Trade receivables

Trade receivables are amounts due from local households, businesses and governmental departments. If collection is expected in one year or less, they are classified as current. If not, they are presented as non-current assets.

Trade receivables are carried at original invoice amounts less an estimate made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off when identified.

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held with banks, and other short-term, highly liquid investments with original maturities of three months or less.

j. Loan to Pursat Water Supply

The loan to Pursat Water Supply ("PWS") is stated in the balance sheet at outstanding principal.

k. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised at original invoice amounts.

l. Borrowings

Borrowings are recognised initially at acquired amounts, which approximate fair value. Borrowings are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

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

Interest costs on borrowings are charged to the income statement. Borrowing costs that relate to qualifying assets are capitalised as part of the cost of the asset.

m. Refundable water deposits

Deposits are collected from customers based on the size of the water meter prior to connection and are recorded at the received amount as refundable water deposits under non-current liabilities.

n. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date in Cambodia where the Authority generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the General Department of Taxation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n. Current and deferred income tax (continued)

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 financial statements. Deferred income tax is determined using tax rates 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 is calculated using a tax rate of 20%.

o. Employee benefits

Retirement benefit obligation

The Authority operates a pension scheme, which is a defined benefit plan whereby both the Authority and the employees pay fixed contributions into an internal cash account under the name of the Authority:

- The employees' contribution is 7% of their monthly salary (6% prior to October 2007).
- The Authority's contribution is 5% of the employees' monthly salary and a further 2% of profit for the year.

Payments to eligible employees are based on the following terms and conditions:

- a. Staff who have worked for 10 to 19 years and up to their retirement age will receive a one-time lump sum retirement benefit payment of 200% of their accumulated retirement contribution.
- b. Staff who have worked for more than 20 years and up to their retirement age will receive a monthly retirement benefit of 29% of their final salary and an additional 1% of their final salary for every year worked from the 21st year for every month until they die.
- c. Staff who have resigned before their retirement age will receive a one-time lump sum payment as follows:
 - i) 120% of their accumulated contributions for staff who have worked for 10 years, and an additional 1% of the accumulated contributions for every year between the 11th year and the 20th year.
 - ii) 135% of their accumulated contributions for staff who have worked for 21 years, and an additional 1% of the accumulated contributions for every year between the 22nd year and the 30th year.
 - iii) 155% of their accumulated contributions for staff who have worked for 31 years, and an additional 1% of the accumulated contributions for every year after the 31st year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Employee benefits (continued)

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined obligation at the end of the reporting period less the fair value of the plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using average deposit rate of the fund deposited at banks, reserved for retirement benefit payments, as there is no deep high-quality corporate bond market nor government bonds in Cambodia.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the income statement in the period in which they arise. The cost associated with providing these benefits are charged to the income statement so as to spread the cost over the period of employment during which the entitlement to the benefit is earned.

Past-service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Bonus plan

The Authority recognises a liability and an expense for bonuses, based on the following formula that takes into consideration the profit attributable to the Authority for each year:

- One month's salary for all employees if the net profit is between 5% and 10% of operating expenses.
- Two months' salary for all employees if the net profit is between 11% and 20% of operating expenses.
- Three months' salary for all employees if the net profit is more than 21% of operating expenses.

The payment is normally made in April or May of the following year.

p. Provision and contingent liability

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events; it is probable 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 amount of expenditure expected to be required to settle the obligation. If the time value of money is material, provisions will be measured at their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increases in provisions due to the passage of time are recognised as interest expenses.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Provision and contingent liability (continued)

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority. It can also be a present obligation arising from past events that is not recognised because it is not probable that the outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

q. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of water

Revenue from the supply of water is stated net of discounts, allowances and credits and is recognised on the amount of water supplied to recognised customers of the Authority.

Household water connection revenue

Revenue on household water connection is recognised when the connection is completed.

Water meter replacement charge

An amount of Riel 50 per 1 mm of water meter is charged for water meter maintenance every month during the billing cycle, and is recorded as income. This charge is used to cover the cost of the replacement of meters upon utilisation. The cost of replacement is charged to the income statement.

Interest income

Interest income is recognised in the income statement on a time-proportion basis using the effective interest method.

r. Deferred grants and amortisation

Deferred grants relating to the costs of property, plant and equipment granted by donors are recognised at cost upon receipt. Deferred grants are included in non-current liabilities and are credited to the income statement on a straight-line basis to match the expected lives of the related assets.

The benefit of a government loan at a below-market foreign exchange rate, favourable fluctuations between the value of the currency of the loan (Special Drawing Rights (SDR)) and the currency of its repayment by the Authority (Riel), is treated as a government grant.

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Change in accounting policy

The financial statements of the Authority for the years ended 31 December 2009 and 2008 have been audited and the auditors' reports dated 19 June 2009 and 17 June 2010, respectively contained qualified opinions with respect to the appropriateness of the recognition of the retirement benefit obligation. Since the Authority is in the process of an initial public offering in 2011 and the requirement of the Securities and Exchange Commission of Cambodia is to submit the past three years' financial statements, the recognition of retirement benefit obligations for the years ended 31 December 2009 and 2008 have been addressed subsequent to the auditors' reports. As such, the auditors' reports on the financial statements for the years ended 31 December 2009 and 2008 were reissued on 19 August 2011.

The Authority early adopted CIAS 19 retrospectively from 1 January 2010, which resulted in an increase in retirement benefit obligations of Riel 10 billion as at 1 January 2008 with a corresponding decrease in the opening retained earnings on 1 January 2008 of Riel 10 billion. The increase in the retirement benefit obligation also resulted in a decrease in the net deferred income tax liability and an increase in the opening retained earnings of Riel 2 billion as at 1 January 2008. The impact of this change in accounting policy reduced the amount transferred to reserves by Riel 8 billion for 2008. The details of the impact are as follows:

| | Previously reported 2008 KHR'000 | Impact of adjustment KHR'000 | Reclassi- fication KHR'000 | Restated 2008 KHR'000 |
|---|---|---|---|--------------------------------------|
| Reconciliation of equity at 1 January 2008 | | | | |
| Retained earnings (equity) | (22,403,357) | 8,012,713 | - | (14,390,644) |
| Assets | 604,309,532 | - | - | 604,309,532 |
| Liabilities | (164,955,933) | (8,012,713) | - | 172,968,646 |
| Reconciliation of equity at 31 December 2008 | | | | |
| Equity | | | | |
| Reserves | (28,150,012) | 8,012,713 | - | (20,137,299) |
| | (28,150,012) | 8,012,713 | - | (20,137,299) |
| Assets and liabilities | | | | |
| Cash at bank | 14,978,280 | - | (6,000,000) | 8,978,280 |
| Short-term investments (a) | 95,576,027 | - | 6,000,000 | 101,576,027 |
| Retirement benefit obligation | (4,908,053) | (10,015,891) | - | (14,923,944) |
| Deferred income tax liabilities | (12,764,171) | 2,003,178 | - | (10,760,993) |
| | 92,882,083 | (8,012,713) | - | 84,869,370 |

- (a) This represents the reclassification of an amount to short-term investments from cash at bank to be in line with the current year's presentation.

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. Change in accounting policy (continued)

| | Previously reported 2009 KHR'000 | Impact of 2007 adjustment KHR'000 | Reclassi- fication KHR'000 | Restated 2009 KHR'000 |
|---|---|--|----------------------------------|-----------------------------|
| Reconciliation of equity at 1 January 2009 | | | | |
| Reserves (equity) | (28,150,012) | 8,012,713 | - | (20,137,299) |
| Assets | 655,103,135 | - | - | 655,103,135 |
| Liabilities | (193,553,653) | (8,012,713) | - | (201,566,366) |
| Reconciliation of equity at 31 December 2009 | | | | |
| Equity | | | | |
| Reserves | (13,410,044) | 8,012,713 | - | (5,397,331) |
| | (13,410,044) | 8,012,713 | - | (5,397,331) |
| Liabilities | | | | |
| Retirement benefit obligation | (6,347,131) | (10,015,891) | - | (16,363,022) |
| Deferred income tax liabilities | (13,742,471) | 2,003,178 | - | (11,739,293) |
| | (20,089,602) | (8,012,713) | - | (28,102,315) |

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Authority is exposed to interest rate risk, credit risk, foreign exchange risk and liquidity risk. The Authority manages and assumes such risks by monitoring the market interest rates, the credit history of its counter-parties, foreign exchange rates and cash flows. The Authority does not currently use derivative instruments to hedge its interest rate and foreign exchange risk exposure.

a. Interest rate risk

The interest rate risk is the risk that future movements in market interest rates will affect the results of the Authority's operations and its cash flows. Its exposure to interest rate risk relates primarily to borrowings, the loan to PWS and short-term investments.

The Authority's interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Authority to cash-flow interest rate risk. Borrowings obtained at fixed rates expose the Authority to fair value interest rate risk.

The primary exposures of the Authority's borrowings to cash-flow interest rate risk are through borrowings from Agence Française de Développement ("AfD") and to fair value interest rate risk through borrowings from the MoEF and Japan International Cooperation Agency ("JICA") (Note 16).

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

a. Interest rate risk (continued)

No interest rate swaps or other hedges have been made since management believes that interest rate risks will not result in a significant exposure.

If interest rates on variable-interest borrowings had been 1% higher or lower, with all other variables held constant, post-tax profit for the year would have been lower or higher by Riel 57,263,842 for 2010, Riel 447,165,768 for 2009, and Riel 303,581,664 for 2008.

The Authority maintained fixed interest rates on short-term investments and the loan to PWS. This is consistent with loans from the MoEF, which are based on fixed rates.

b. Foreign exchange risk

The Authority is exposed to the risk of changes in foreign currency, primarily with the Euro and US\$, since it borrows from AfD in Euros and JICA in US\$ and maintains its accounting records in Riel. Management does not hedge or purchase forward exchange contracts since it believes that the impact of foreign exchange differences is not significant.

If the Euro currency had weakened/strengthened by 5% against the Riel, post-tax profit for the year would have been higher or lower by Riel 2.5 billion for 2010, Riel 2.2 billion and Riel 1.5 billion for 2010, 2009 and 2008, respectively, mainly as a result of foreign exchange gains/losses on translation of Euro-denominated borrowings.

If the US\$ currency had weakened/strengthened by 3% against the Riel, post-tax profit for the year would have been higher or lower by Riel 426 million for 2010 as a result of foreign exchange gains/losses on the translation of US\$-denominated borrowings. There were no US\$-denominated borrowings for 2009 and 2008.

c. Credit risk

The Authority is exposed to credit risk primarily with respect to trade receivables, cash at banks, short-term investments and the loan to PWS.

To manage risk on trade receivables, the Authority requires a deposit before the connection is made. No deposit is required for governmental departments as the Authority believes that they can collect from those departments through the MoEF (the source of finance of those departments), which is the Authority's supervisor. A deposit deduction policy is applied to customers who have not settled their debts in accordance with credit terms and conditions. The Authority's maximum exposure to credit risk on trade receivables is limited to the carrying amount of receivables less an estimate made for doubtful receivables based on a review of all outstanding amounts at year-end. The collection period for households and businesses is within one month and for governmental departments is one year.

To minimise credit risk on cash at banks and short-term investments, the Authority has diversified deposits to different banks by using a few large and well-known local banks operating in Cambodia.

PWS is a related party of the Authority and the credit risk of default is very minimal.

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008**

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

d. Liquidity risk

The Authority's exposure to liquidity risk arises from the general funding of its business activities. It includes the risk of being unable to fund business activities in a timely manner.

The Authority policy is to maintain sufficient cash and cash equivalents for its operations and uses credit facilities together with its own fund to pay for capital investments.

The table below analyses the Authority's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | Less than 1 year KHR'000 | Between 1 and 2 years KHR'000 | Between 2 and 5 years KHR'000 | Over 5 years KHR'000 |
|----------------------------|---|--|--|-------------------------------------|
| At 31 December 2010 | | | | |
| Borrowings | 8,758,884 | 10,064,884 | 34,650,603 | 84,539,890 |
| Interest on borrowings | 6,258,407 | 5,971,213 | 15,721,327 | 38,332,658 |
| Refundable water deposits | - | - | - | 21,854,738 |
| Trade and other payables | 17,293,595 | - | - | - |
| | <u>32,310,886</u> | <u>16,036,097</u> | <u>50,371,930</u> | <u>144,727,286</u> |
| At 31 December 2009 | | | | |
| Borrowings | 11,670,256 | 8,294,556 | 28,801,667 | 71,865,397 |
| Interest on borrowings | 4,631,162 | 4,097,589 | 10,999,309 | 34,490,292 |
| Refundable water deposits | - | - | - | 19,760,181 |
| Trade and other payables | 13,552,637 | - | - | - |
| | <u>29,854,055</u> | <u>12,392,145</u> | <u>39,800,976</u> | <u>126,115,870</u> |
| At 31 December 2008 | | | | |
| Borrowings | 16,935,740 | 14,614,159 | 26,463,424 | 54,567,112 |
| Interest on borrowings | 7,844,401 | 6,463,086 | 14,438,544 | 37,660,494 |
| Refundable water deposits | - | - | - | 17,717,657 |
| Trade and other payables | 17,408,051 | - | - | - |
| | <u>42,188,192</u> | <u>21,077,245</u> | <u>40,901,968</u> | <u>109,945,263</u> |

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008**

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

The Authority's objectives when managing capital are to safeguard the Authority's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Authority maintains no specific policy on gearing ratios. The Authority policy is to maintain sufficient cash and cash equivalents for its operations and use credit facilities to pay for capital investments. The Authority monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet) less cash and cash equivalents and short-term investments. Total capital is calculated as equity as shown in the balance sheet plus net debts. Gearing ratios are as follows:

| | 2010 | 2009 | 2008 |
|--|----------------|----------------|----------------|
| | KHR'000 | KHR'000 | KHR'000 |
| Total borrowings | 138,014,261 | 120,631,876 | 112,580,435 |
| Less: cash and cash equivalents and short-term investments | (136,763,887) | (110,573,470) | (110,554,307) |
| Net debt | 1,250,374 | 10,058,406 | 2,026,128 |
| Total equity | 515,567,573 | 488,331,325 | 453,536,769 |
| Total capital | 516,817,947 | 498,389,731 | 455,562,897 |
| Gearing ratio | 0.24% | 2.02% | 0.44% |

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) *Borrowings* – The fair value of borrowings is estimated by discounting the future contractual cash flows using the effective interest rate at year-end.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008**

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions 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 Authority makes estimates, assumptions and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Taxes

Taxes are calculated on the basis of the current interpretation of the tax regulations. However, these regulations are susceptible to varying interpretations and the ultimate determination of tax expense will be made following inspection by the General Department of Taxation.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the Tax on Profit and deferred tax provisions in the period in which such determination is made.

(b) Property, plant and equipment

Accounting for property, plant and equipment involves the use of estimates for determining the expected useful lives and residual values of these assets. The determination of the useful lives and residual values of the assets are based on management's judgement. In making this judgement, the Authority 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.

(c) Retirement benefit obligation

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include the discount rate, salary growth rates, mortality rates and withdrawal rates. Any changes in these assumptions will impact the carrying amount of pension obligations.

In the absence of a bond market and government bonds in Cambodia, the Authority uses the average deposit rate of the fund deposited at banks, reserved for retirement benefit payment, as a discount rate to determine the present value of the estimated future cash outflows expected to be required to settle the retirement benefit obligation.

Additional information is disclosed in Note 18.

Where the discount rate used differs by 10% from management's estimates, the carrying amount of the retirement benefit obligation would be changed approximately as below:

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008**

4. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

(c) Retirement benefit obligation (continued)

| Change in discount rate | Effect on retirement benefit obligation higher/(lower) | | |
|-----------------------------------|---|-----------------|-----------------|
| | 2010 KHR'000 | 2009 KHR'000 | 2008 KHR'000 |
| Lower by 10% of the current rate | 1,367,860 | 1,210,415 | 1,165,029 |
| Higher by 10% of the current rate | (1,244,252) | (1,086,856) | (1,044,575) |

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008**

5. PROPERTY, PLANT AND EQUIPMENT

| | Land <u>KHR'000</u> | Buildings on freehold land <u>KHR'000</u> | Machinery <u>KHR'000</u> | Fluid equipment <u>KHR'000</u> | Laboratory equipment <u>KHR'000</u> | Office furniture and equipment <u>KHR'000</u> | Electricity equipment <u>KHR'000</u> | Motor vehicles <u>KHR'000</u> | Valves and tools <u>KHR'000</u> | Water meters <u>KHR'000</u> | Work in progress <u>KHR'000</u> | Total <u>KHR'000</u> |
|------------------------------------|------------------------|---|-----------------------------|--------------------------------------|---|---|--|-------------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|-------------------------|
| As at 1 January 2008 | | | | | | | | | | | | |
| Cost | 43,329,628 | 119,662,725 | 47,192,727 | 281,414,961 | 1,040,187 | 6,521,214 | 50,645,196 | 8,636,430 | 1,595,771 | 4,087,564 | 27,101,473 | 591,227,876 |
| Accumulated depreciation | - | (18,201,731) | (16,354,831) | (47,927,387) | (725,409) | (3,638,449) | (29,392,848) | (6,579,418) | (924,461) | (3,606,735) | - | (127,351,269) |
| Net book value | 43,329,628 | 101,460,994 | 30,837,896 | 233,487,574 | 314,778 | 2,882,765 | 21,252,348 | 2,057,012 | 671,310 | 480,829 | 27,101,473 | 463,876,607 |
| Year ended 31 December 2008 | | | | | | | | | | | | |
| Opening balance | 43,329,628 | 101,460,994 | 30,837,896 | 233,487,574 | 314,778 | 2,882,765 | 21,252,348 | 2,057,012 | 671,310 | 480,829 | 27,101,473 | 463,876,607 |
| Additions | 2,065,528 | - | 32,292 | 33,175 | - | 151,839 | - | 1,769,311 | 160,851 | 13,938 | 47,195,139 | 51,422,073 |
| Transfers | - | - | 1,732,365 | 10,199,097 | - | 232,856 | 600,141 | - | 150,541 | 126,354 | (13,041,354) | - |
| Disposals | - | (447,986) | (432,244) | (127,667) | - | (15,117) | - | - | - | - | - | (1,023,014) |
| Depreciation charges | - | (2,466,071) | (2,672,116) | (7,379,941) | (103,345) | (886,964) | (4,538,464) | (730,886) | (149,107) | (225,249) | - | (19,152,143) |
| Net book value | 45,395,156 | 98,546,937 | 29,498,193 | 236,212,238 | 211,433 | 2,365,379 | 17,314,025 | 3,095,437 | 833,595 | 395,872 | 61,255,258 | 495,123,523 |
| At 31 December 2008 | | | | | | | | | | | | |
| Cost | 45,395,156 | 119,186,341 | 47,440,813 | 290,812,167 | 1,040,187 | 6,837,151 | 51,245,337 | 10,405,741 | 1,907,059 | 3,382,440 | 61,255,258 | 638,907,650 |
| Accumulated depreciation | - | (20,639,404) | (17,942,620) | (54,599,929) | (828,754) | (4,471,772) | (33,931,312) | (7,310,304) | (1,073,464) | (2,986,568) | - | (143,784,127) |
| Net book value | 45,395,156 | 98,546,937 | 29,498,193 | 236,212,238 | 211,433 | 2,365,379 | 17,314,025 | 3,095,437 | 833,595 | 395,872 | 61,255,258 | 495,123,523 |
| Year ended 31 December 2009 | | | | | | | | | | | | |
| Opening balance | 45,395,156 | 98,546,937 | 29,498,193 | 236,212,238 | 211,433 | 2,365,379 | 17,314,025 | 3,095,437 | 833,595 | 395,872 | 61,255,258 | 495,123,523 |
| Additions | 28,147,589 | 7,305 | 1,087,289 | - | 154,900 | 314,953 | 425,326 | 534,938 | 376,467 | 118,179 | 30,671,412 | 61,838,358 |
| Transfers | - | 6,145,071 | 3,482 | 12,069,066 | - | 111,559 | 1,364,943 | - | 114,618 | 155,244 | (19,963,983) | - |
| Disposals | - | - | - | (84,140) | - | (3,201) | (3,400) | - | (17,688) | - | - | (108,429) |
| Depreciation charges | - | (2,488,325) | (2,617,264) | (7,605,268) | (91,699) | (894,008) | (4,505,510) | (668,251) | (175,672) | (188,821) | - | (19,234,818) |
| Net book value | 73,542,745 | 102,210,988 | 27,971,700 | 240,591,896 | 274,634 | 1,894,682 | 14,595,384 | 2,962,124 | 1,131,320 | 480,474 | 71,962,687 | 537,618,634 |
| At 31 December 2009 | | | | | | | | | | | | |
| Cost | 73,542,745 | 125,338,792 | 48,531,520 | 302,348,458 | 1,090,401 | 7,208,481 | 52,902,494 | 10,238,180 | 2,380,201 | 3,652,501 | 71,962,687 | 699,196,460 |
| Accumulated depreciation | - | (23,127,804) | (20,559,820) | (61,756,562) | (815,767) | (5,313,799) | (38,307,110) | (7,276,056) | (1,248,881) | (3,172,027) | - | (161,577,826) |
| Net book value | 73,542,745 | 102,210,988 | 27,971,700 | 240,591,896 | 274,634 | 1,894,682 | 14,595,384 | 2,962,124 | 1,131,320 | 480,474 | 71,962,687 | 537,618,634 |

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008**

5. PROPERTY, PLANT AND EQUIPMENT (continued)

| | <u>Land</u> <u>KHR'000</u> | <u>Buildings on</u> <u>freehold land</u> <u>KHR'000</u> | <u>Machinery</u> <u>equipment</u> <u>KHR'000</u> | <u>Fluid</u> <u>equipment</u> <u>KHR'000</u> | <u>Laboratory</u> <u>equipment</u> <u>KHR'000</u> | <u>Office</u> <u>furniture</u> <u>and</u> <u>equipment</u> <u>KHR'000</u> | <u>Electricity</u> <u>equipment</u> <u>KHR'000</u> | <u>Motor</u> <u>vehicles</u> <u>KHR'000</u> | <u>Valves and</u> <u>tools</u> <u>KHR'000</u> | <u>Water</u> <u>meters</u> <u>KHR'000</u> | <u>Work in</u> <u>progress</u> <u>KHR'000</u> | <u>Total</u> <u>KHR'000</u> |
|------------------------------------|-------------------------------|---|--|--|---|---|--|---|---|---|---|--------------------------------|
| Year ended 31 December 2010 | | | | | | | | | | | | |
| Opening balance | 73,542,745 | 102,210,988 | 27,971,700 | 240,591,896 | 274,634 | 1,894,682 | 14,595,384 | 2,962,124 | 1,131,320 | 480,474 | 71,962,687 | 537,618,634 |
| Additions | 100,439 | - | 83,678 | 4,677 | - | 132,772 | 37,083 | 450,355 | 342,912 | 36,366 | 22,898,824 | 24,087,106 |
| Transfers | - | 29,126,942 | 10,130,964 | 18,146,861 | - | 1,719,666 | 6,180,194 | - | 5,021,494 | 315,900 | (70,642,021) | - |
| Disposals | - | - | (8,446) | - | - | (15,194) | - | (1,284) | - | - | - | (24,924) |
| Depreciation charges | - | (2,937,071) | (2,743,306) | (7,967,651) | (60,890) | (985,605) | (4,427,742) | (677,515) | (374,922) | (185,067) | - | (20,359,769) |
| Net book value | <u>73,643,184</u> | <u>128,400,859</u> | <u>35,434,590</u> | <u>250,775,783</u> | <u>213,744</u> | <u>2,746,321</u> | <u>16,384,919</u> | <u>2,733,680</u> | <u>6,120,804</u> | <u>647,673</u> | <u>24,219,490</u> | <u>541,321,047</u> |
| At 31 December 2010 | | | | | | | | | | | | |
| Cost | 73,643,184 | 154,465,734 | 58,535,359 | 320,499,996 | 927,603 | 8,646,100 | 59,119,771 | 9,687,307 | 7,363,723 | 3,957,104 | 24,219,490 | 721,065,371 |
| Accumulated depreciation | - | (26,064,875) | (23,100,769) | (69,724,213) | (713,859) | (5,899,779) | (42,734,852) | (6,953,627) | (1,242,919) | (3,309,431) | - | (179,744,324) |
| Net book value | <u>73,643,184</u> | <u>128,400,859</u> | <u>35,434,590</u> | <u>250,775,783</u> | <u>213,744</u> | <u>2,746,321</u> | <u>16,384,919</u> | <u>2,733,680</u> | <u>6,120,804</u> | <u>647,673</u> | <u>24,219,490</u> | <u>541,321,047</u> |

The principal non-cash transactions are the acquisition of property, plant and equipment under government and other grants amounting to Riel 611,533,000 for 2010, Riel 413,600,000 for 2009 and Riel 4,159,908,000 for 2008 (Note 19) which are excluded from the statement of cash flows.

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008**

6. INTANGIBLE ASSETS

| | Software KHR'000 |
|------------------------------------|-----------------------------|
| As at 1 January 2008 | |
| Cost | 949,581 |
| Accumulated amortisation | <u>(82,622)</u> |
| Closing carrying value | <u>866,959</u> |
| Year ended 31 December 2008 | |
| Opening balance | 866,959 |
| Additions | - |
| Amortisation to income statement | <u>(134,625)</u> |
| Net book value | <u>732,334</u> |
| As at 31 December 2008 | |
| Cost | 949,581 |
| Accumulated amortisation | <u>(217,247)</u> |
| Net book value | <u>732,334</u> |
| Year ended 31 December 2009 | |
| Opening balance | 732,334 |
| Additions | 167,061 |
| Amortisation to income statement | <u>(150,782)</u> |
| Net book value | <u>748,613</u> |
| Year ended 31 December 2009 | |
| Cost | 1,116,642 |
| Accumulated depreciation | <u>(368,029)</u> |
| Net book value | <u>748,613</u> |
| Year ended 31 December 2010 | |
| Opening balance | 748,613 |
| Additions | 424,680 |
| Amortisation to income statement | <u>(176,492)</u> |
| Net book value | <u>996,801</u> |
| Year ended 31 December 2010 | |
| Cost | 1,541,322 |
| Accumulated amortisation | <u>(544,521)</u> |
| Net book value | <u>996,801</u> |

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008**

7. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2010 | 2009 | 2008 |
|-------------------------------------|--------------------|--------------------|--------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| <i>Financial assets</i> | | | |
| Trade and other receivables | 20,875,999 | 18,636,635 | 16,059,569 |
| Loan to Pursat Water Supply | 818,415 | 881,173 | 675,444 |
| Short-term investments | 129,697,135 | 101,316,122 | 101,576,027 |
| Cash and cash equivalents | 7,066,752 | 9,257,348 | 8,978,280 |
| | <u>158,458,301</u> | <u>130,091,278</u> | <u>127,289,320</u> |
| <i>Financial liabilities</i> | | | |
| Trade and other payables | 17,293,595 | 13,552,637 | 17,408,051 |
| Borrowings | 138,014,261 | 120,631,876 | 112,580,435 |
| Refundable water deposits | 21,854,738 | 19,760,181 | 17,717,657 |
| | <u>177,162,594</u> | <u>153,944,694</u> | <u>147,706,143</u> |

8. LOAN TO PURSAT WATER SUPPLY

| | 2010 | 2009 | 2008 |
|---------------------------|----------------|----------------|----------------|
| | KHR'000 | KHR'000 | KHR'000 |
| Current portion | 50,149 | 39,334 | - |
| Non-current portion, due: | | | |
| • within one to two years | 62,668 | 51,584 | 675,444 |
| • two to five years | 269,688 | 234,686 | - |
| • after five years | 435,910 | 555,569 | - |
| | <u>768,266</u> | <u>841,839</u> | <u>675,444</u> |
| Total loan to PWS | <u>818,415</u> | <u>881,173</u> | <u>675,444</u> |

The loan to PWS was made in US\$ in accordance with the loan agreement signed between the Authority and PWS dated 4 June 2008, amounting to Riel 1,156 million (US\$283,192). The purpose of the loan was to finance the construction of the main water supply network in Kandiang district, Pursat province, which was constructed and completed by the Authority in April 2009. The loan is unsecured and subject to 5% interest rate per annum.

The loan is to be repaid by PWS in 120 monthly instalments in accordance with the repayment schedule set out in Article G of the loan agreement.

Fair values of the non-current portion of the loan to PWS are as follows:

| | 2010 | 2009 | 2008 |
|----------------|----------------|----------------|----------------|
| | KHR'000 | KHR'000 | KHR'000 |
| Carrying value | 768,266 | 841,839 | 675,444 |
| Fair value | 654,847 | 798,713 | 553,422 |

PHNOM PENH WATER SUPPLY AUTHORITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008****8. LOAN TO PURSAT WATER SUPPLY (continued)**

The fair values of the loan are based on cash flows discounted using a short-term investment rate of 7.5%.

9. INCOME TAX RECEIVABLE/(PAYABLE)

| | 2010 | 2009 | 2008 |
|-------------------------------|------------------|------------------|------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| As at 1 January | (136,290) | 1,501,736 | 2,331,649 |
| Current income tax (Note 27) | (4,131,039) | (5,845,739) | (3,553,886) |
| Payments made during the year | 5,911,147 | 4,207,713 | 2,723,973 |
| | <u>1,643,818</u> | <u>(136,290)</u> | <u>1,501,736</u> |

The income tax receivable represents tax overpayments as at 31 December 2010 of income tax in the current year. The Authority believes that it has adequate supporting evidence and is thus able to recover such amount at the time of tax reassessment.

10. INVENTORIES

| | 2010 | 2009 | 2008 |
|---|-------------------|-------------------|-------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| Distribution pipes and fittings | 12,722,206 | 12,497,206 | 23,452,833 |
| Water meters | 3,203,618 | 2,957,365 | 2,878,026 |
| Spare parts and tools | 1,878,818 | 1,737,228 | 1,424,001 |
| Chemicals | 1,038,892 | 686,078 | 1,079,998 |
| Drums and other packages | 249,165 | 249,165 | 232,777 |
| Other materials | 1,148,496 | 666,567 | 553,093 |
| <u>Less: allowance for inventory obsolescence</u> | <u>(64,385)</u> | <u>(66,381)</u> | <u>(97,423)</u> |
| | <u>20,176,810</u> | <u>18,727,228</u> | <u>29,523,305</u> |

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008**

11. TRADE AND OTHER RECEIVABLES

| | 2010 | 2009 | 2008 |
|---|-------------------|-------------------|-------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| Public administration receivables (a) | 2,330,742 | 1,417,584 | 1,529,967 |
| Domestic receivables | 1,353,516 | 1,643,623 | 1,356,391 |
| Commercial receivables | 1,025,733 | 1,165,982 | 984,449 |
| Water wholesalers | 9,693 | 28,386 | 30,516 |
| Other receivables | 515,513 | 569,424 | 503,421 |
| <u>Less: Allowance for doubtful receivables</u> | <u>(10,746)</u> | <u>(10,746)</u> | <u>(10,746)</u> |
| Trade receivables – net | <u>5,224,451</u> | <u>4,814,253</u> | <u>4,393,998</u> |
| Advances to suppliers for the construction of property, plant and equipment | 23,274,784 | 773,232 | 672,375 |
| Accrued income (b) | 11,923,927 | 9,983,833 | 8,455,882 |
| Interest receivable | 3,730,445 | 3,600,965 | 3,212,499 |
| VAT receivable | <u>222,897</u> | <u>350,380</u> | <u>257,732</u> |
| Other receivables | <u>39,152,053</u> | <u>14,708,410</u> | <u>12,598,488</u> |
| | <u>44,376,504</u> | <u>19,522,663</u> | <u>16,992,486</u> |

Customers of the Authority are local households, businesses and governmental departments. The collection period for households and businesses is less than one month and for governmental departments is one year. Management believes that these customers are fully performing, except for the allowance provided above.

Because of the short-term nature of these receivables, their fair values approximate the carrying value less the provision for allowance. All trade receivable carrying amounts are denominated in Riel and other receivable carrying amounts are mainly denominated in Riel.

(a) Public administrative receivables were past due but not impaired. These related to receivables from governmental departments from whom there is no recent history of default.

(b) The accrued income represents water sales accrued for the last 42 days for 2010, 39 days for 2009 and 35 days for 2008.

12. SHORT-TERM INVESTMENTS

This represents fixed deposits placed with financial institutions for various periods ranging from four to 12 months, earning interest at 6% to 7.5% per annum.

Included in the short-term investments are deposits amounting to Riel 6.4 billion, Riel 5.1 billion and Riel 3.2 billion for 2010, 2009 and 2008, respectively, set up specifically for the purpose of paying the retirement benefits to retirees who are entitled under the pension scheme.

PHNOM PENH WATER SUPPLY AUTHORITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008****13. CASH AND CASH EQUIVALENTS**

| | 2010 | 2009 | 2008 |
|---------------|------------------|------------------|------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| | | | Restated |
| Cash on hand | 319,391 | 228,346 | 501,001 |
| Cash at banks | <u>6,747,361</u> | <u>9,029,002</u> | <u>8,477,279</u> |
| | <u>7,066,752</u> | <u>9,257,348</u> | <u>8,978,280</u> |

Cash at banks consists of current accounts, savings accounts and term deposits due within three months or less at local banks. Savings accounts and term deposits bear interest rates between 0.75% and 1.25% per annum.

Included in cash and cash equivalents are cash and cash equivalents amounting to Riel 188 million, Riel 299 million and Riel 401 million for 2010, 2009 and 2008, respectively, set up specifically for the purpose of paying those retirees who are entitled to retirement benefits under the pension scheme.

14. CAPITAL

| | 2010 | 2009 | 2008 |
|--|--------------------|--------------------|--------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| Opening balance as at 1 January | 456,000,264 | 408,963,236 | 408,963,236 |
| Transfer from reserves (Note 15) | - | 36,732,578 | - |
| Transfers from government and other grants - (Note 19) | <u>-</u> | <u>10,304,450</u> | <u>-</u> |
| Closing balance as at 31 December | <u>456,000,264</u> | <u>456,000,264</u> | <u>408,963,236</u> |

Article 6 of the Sub-decree on the establishment of the Authority states that: "The initial capital of Phnom Penh Water Supply Authority shall be determined by the initial balance sheet which will be approved by the Ministry of Economy and Finance, the Phnom Penh Municipality and the Authority". Article 7 of the Authority's Statute states that capital contributions can be in the form of cash, equipment, reserves or loss contribution from the State. Capital contributions must be decided by the Board of Directors and agreed by the Minister of the MoEF. Accordingly, the Authority obtains approvals from the MoEF to transfer grants, reserves and other funds to capital as it considers necessary for the benefit of the operations.

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
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15. RESERVES

| | Capital reserve KHR'000 | Legal reserve KHR'000 | General reserve KHR'000 | Developmen t reserve KHR'000 | Total KHR'000 |
|--|--|--------------------------------------|--|---|--------------------------|
| As at 1 January 2008 | 1,648,435 | 3,065,245 | 3,065,245 | 208,081 | 7,987,006 |
| Additions – restated | - | 719,532 | 719,532 | 12,951,580 | 14,390,644 |
| Profit paid to Royal Government of Cambodia (a) | - | - | - | (2,240,351) | (2,240,351) |
| As at 31 December 2008 - restated | 1,648,435 | 3,784,777 | 3,784,777 | 10,919,310 | 20,137,299 |
| As at 1 January 2009 - restated | 1,648,435 | 3,784,777 | 3,784,777 | 10,919,310 | 20,137,299 |
| Additions | - | 1,221,811 | 1,221,811 | 21,992,612 | 24,436,234 |
| Transfer to capital (b) | - | - | - | (36,732,578) | (36,732,578) |
| Profit paid to Royal Government of Cambodia | - | - | - | (2,443,624) | (2,443,624) |
| As at 31 December 2009 - restated | 1,648,435 | 5,006,588 | 5,006,588 | (6,264,280) | 5,397,331 |
| As at 1 January 2010 | 1,648,435 | 5,006,588 | 5,006,588 | (6,264,280) | 5,397,331 |
| Additions | - | 1,346,687 | 1,346,687 | 24,240,356 | 26,933,730 |
| Profit paid to Royal Government of Cambodia | - | - | - | (2,693,373) | (2,693,373) |
| Paid for corporate social activities (c) | - | - | - | (576,731) | (576,731) |
| As at 31 December 2010 | <u>1,648,435</u> | <u>6,353,275</u> | <u>6,353,275</u> | <u>14,705,972</u> | <u>29,060,957</u> |

In accordance with Article 29 of the Authority's statute and the Board of Directors' approval, all brought forward retained earnings at the beginning of the year were transferred to reserves.

In accordance with the Authority's statute dated 22 February 1999, article 29 stipulated that the Authority's profit, after offsetting with losses carried forward (if any), could be used as follows:

- for management and staff bonuses (Note 2.o);
- for legal reserves 5%;
- for general reserve 5%; and
- the remaining balance for development reserve.

(a) Effective from the year ended 31 December 2007 onward, MoEF accepted the proposed 10% annual profit distribution from the Authority through its letter No. 2254, dated 2 May 2008.

(b) In accordance with letter No. 5259 SHV TR dated 25 August 2006, the MoEF agreed in principle to the transfer of funds from the development reserve to the capital reserve (Note14).

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
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15. RESERVES (continued)

- (c) The transfer from the reserve to pay for corporate social activities is in accordance with letter No. 284 from the Ministry of the Council of Ministers, dated 11 March 2010. Corporate social activities represent the development of a water supply system for military teams in a few provinces.

16. BORROWINGS

| | 2010 | 2009 | 2008 |
|--|--------------------|--------------------|--------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| Borrowings from: | | | |
| MoEF – World Bank (“WB”) – Credit No. 3041 KH | - | 6,663,684 | 15,663,684 |
| MoEF – WB – Credit No. 3746 KH | 19,324,388 | 18,904,474 | 19,801,376 |
| MoEF – Asian Development Bank (“ADB”) – Agence Française de Développement (“AfD”) – Credit No. 6000 01 G | 39,167,667 | 39,167,667 | 39,167,667 |
| Agence Française de Développement (“AfD”) – Credit No. 1075 03 S | 54,611,560 | 55,896,051 | 37,947,708 |
| MoEF – JICA | 7,157,980 | - | - |
| | 17,752,666 | - | - |
| | <u>138,014,261</u> | <u>120,631,876</u> | <u>112,580,435</u> |

The gross movement of loans is as follows:

| Description | MoEF WB 3041 KHR'000 | MoEF WB 3746 KHR'000 | MoEF ADB KHR'000 | AfD 6000 KHR'000 | AfD 1075 KHR'000 | MoEF JICA KHR'000 | Total KHR'000 |
|----------------------------|-------------------------------------|-------------------------------------|---------------------------------|-----------------------------|-----------------------------|----------------------------------|--------------------------|
| At 1 January 2008 | 24,663,684 | 17,740,940 | 39,167,667 | 16,198,334 | - | - | 97,770,625 |
| Additions | - | 2,060,436 | - | 21,749,374 | - | - | 23,809,810 |
| Repayments | (9,000,000) | - | - | - | - | - | (9,000,000) |
| At 31 December 2008 | <u>15,663,684</u> | <u>19,801,376</u> | <u>39,167,667</u> | <u>37,947,708</u> | <u>-</u> | <u>-</u> | <u>112,580,435</u> |
| At 1 January 2009 | 15,663,684 | 19,801,376 | 39,167,667 | 37,947,708 | - | - | 112,580,435 |
| Additions | - | 765,012 | - | 17,948,343 | - | - | 18,713,355 |
| Repayments | (9,000,000) | (1,661,914) | - | - | - | - | (10,661,914) |
| At 31 December 2009 | <u>6,663,684</u> | <u>18,904,474</u> | <u>39,167,667</u> | <u>55,896,051</u> | <u>-</u> | <u>-</u> | <u>120,631,876</u> |
| At 1 January 2010 | 6,663,684 | 18,904,474 | 39,167,667 | 55,896,051 | - | - | 120,631,876 |
| Additions | - | 2,163,752 | - | 2,093,041 | 7,157,980 | 17,752,666 | 29,167,439 |
| Repayments | (6,663,684) | (1,743,838) | - | (3,377,532) | - | - | (11,785,054) |
| At 31 December 2010 | <u>-</u> | <u>19,324,388</u> | <u>39,167,667</u> | <u>54,611,560</u> | <u>7,157,980</u> | <u>17,752,666</u> | <u>138,014,261</u> |

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008**

16. BORROWINGS (continued)

Maturity dates of these borrowings are as follows:

| | 2010 | 2009 | 2008 |
|------------------------------|--------------------|--------------------|--------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| Current | | | |
| Due within one year | 8,758,884 | 11,670,256 | 16,935,740 |
| Non-current | | | |
| Due within one to two years | 10,064,884 | 8,294,556 | 14,614,159 |
| Due within two to five years | 34,650,603 | 28,801,667 | 26,463,424 |
| Due after five years | 84,539,890 | 71,865,397 | 54,567,112 |
| | <u>129,255,377</u> | <u>108,961,620</u> | <u>95,644,695</u> |
| | <u>138,014,261</u> | <u>120,631,876</u> | <u>112,580,435</u> |

The carrying amounts and fair value of the non-current borrowings are as follows:

| | 2010 | 2009 | 2008 |
|----------------|----------------|----------------|----------------|
| | KHR'000 | KHR'000 | KHR'000 |
| Carrying value | 129,255,377 | 108,961,620 | 95,644,695 |
| Fair value | 113,693,613 | 93,667,252 | 88,465,132 |

The fair values of the loans are based on cash flows discounted using a borrowing rate of 8.5% for three years.

Borrowings dominated in other currencies are as follows:

| | 2010 | 2009 | 2008 |
|------|-------------------|-------------------|-------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| EURO | 61,769,540 | 55,896,051 | 37,947,708 |
| US\$ | <u>17,752,666</u> | <u>-</u> | <u>-</u> |
| | <u>79,522,206</u> | <u>55,896,051</u> | <u>37,947,708</u> |

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
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16. BORROWINGS (continued)

| LOAN TERMS | LOAN FROM MoEF WB – CREDIT NO. 3041 KH | LOAN FROM MoEF WB – CREDIT NO. 3746 KH AND GRANT NO. H034 KH | LOAN FROM MoEF ADB | LOAN FROM AfD UNDER CREDIT AGREEMENT NO. CKH6000 01G | LOAN FROM AfD UNDER CREDIT AGREEMENT NO. CKH 1075 03S | LOAN FROM MoEF (JICA CREDIT CP-P9) |
|-------------------|---|---|--|---|---|---|
| Agreement date | 20 March 1998 | 29 October 2003 and Amendment on 8 July 2010 | 5 May 1997 | 30 November 2006 Amendment on 25 March 2009 and amendment on 2 July 2010 | 8 May 2009 | 18 May 2010 |
| Project | Main Urban Water Supply Project | Provincial and Peri-Urban Water and Sanitation Project | Provincial and Peri-Urban Water and Sanitation Project | Extension of Chrouy Changwar Water Treatment Plant (Phase II) and Extension of The Authority's Distribution Network Project | Construction of the first tranche of a new water production facility in Niroth and extension of transmission and distribution network corresponding to the additional water production (Sub-package A). | Design and construct of the water treatment plant and transmission in Niroth (Sub-package B). |
| Interest | 8.5% per annum | 8.5% per annum | 6.5% per annum | EURIBOR minus 1.35%. In no case is the rate to be less than 0.25% nor to exceed 5.21%. | EURIBOR minus 1.35%. In no case is the rate to be less than 0.25% nor to exceed 5.21%. | 7.35% per annum |
| Security | None | None | None | Comfort letters from MoEF and MIME | Comfort letters from MoEF and MIME | None |

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008**

16. BORROWINGS (continued)

| LOAN TERMS | LOAN FROM MoEF WB – CREDIT NO. 3041 KH | LOAN FROM MoEF WB – CREDIT NO. 3746 KH AND GRANT NO. H034 KH | LOAN FROM MoEF ADB | LOAN FROM AfD UNDER CREDIT AGREEMENT NO. CKH6000 01G | LOAN FROM AfD UNDER CREDIT AGREEMENT NO. CKH 1075 03S | LOAN FROM MoEF (JICA CREDIT CP-P9) |
|--------------------|---|--|--|---|--|---|
| Repayment schedule | Thirty four (34) equal instalments on 15 March and 15 September in each fiscal year, commencing on 15 March 2003 and ending on 15 September 2019. However, on 17 March 2003, the MoEF accepted early repayments of loan principal. The loan balance was fully repaid during 2010. | 34 equal instalments payable on 15 January and 15 July of each calendar year, commencing on 15 January 2009. | Semi-annual instalments as of 15 July and 15 January of each year, approximately Riel 1,271,424,939 (as per annex 1 to the agreement), commencing from 2012. | 17 equal half-yearly instalments commencing on 31 December 2010 and ending on 31 December 2018. | 16 equal half-yearly instalments commencing on 30 November 2013 and ending on 31 May 2021. | 24 half-yearly instalments commencing on 20 September 2014 and ending on 20 March 2026. |

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
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16. BORROWINGS (continued)

| LOAN TERMS | LOAN FROM MoEF WB – CREDIT NO. 3041 KH | LOAN FROM MoEF WB – CREDIT NO. 3746 KH AND GRANT NO. H034 KH | LOAN FROM MoEF ADB | LOAN FROM AfD UNDER CREDIT AGREEMENT NO. CKH6000 01G | LOAN FROM AfD UNDER CREDIT AGREEMENT NO. CKH 1075 03S | LOAN FROM MoEF (JICA CREDIT CP-P9) |
|--------------------|---|---|---|---|--|---|
| Available facility | Special Drawing Rights (“SDR”) 18,950,000 | <p><i>Agreement date 29 October 2003</i></p> <p>Loan: SDR 3,440,000 and Grant: SDR 200,000</p> <p><i>Following the amendment on 8 July 2010, the facility was restructured as follows:</i></p> <p>Loan: SDR 8,030,892.70 Grant: SDR 500,000</p> | SDR 9,605,000 (approximately Riel 38,299,937,500) | Maximum amount of Euro 11,100,000 | Maximum amount of Euro 16,000,000 | Maximum amount of Yen 3,513,000,000 |

PHNOM PENH WATER SUPPLY AUTHORITY

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16. BORROWINGS (continued)

| LOAN TERMS | LOAN FROM MoEF WB – CREDIT NO. 3041 KH | LOAN FROM MoEF WB – CREDIT NO. 3746 KH AND GRANT NO. H034 KH | LOAN FROM MoEF ADB | LOAN FROM AfD UNDER CREDIT AGREEMENT NO. CKH6000 01G | LOAN FROM AfD UNDER CREDIT AGREEMENT NO. CKH 1075 03S | LOAN FROM MoEF (JICA CREDIT CP-P9) |
|-------------------|--|--|---|---|--|---|
| Other information | The foreign exchange risk resulting from any fluctuations between the value of the currency of the loan (US\$) and the currency of its repayment by the Authority (Riel) shall be borne in full by the MoEF. | The foreign exchange risk resulting from any fluctuations between the value of the currency of the loan (US\$) and the currency of its repayment by the Authority (Riel) shall be borne in full by the MoEF. | The foreign exchange risk resulting from any fluctuations between the value of the currency of the loan (SDR) and the currency of its repayment by the Authority (Riel) shall be borne in full by the MoEF. The exchange rate (Riel/SDR) is fixed at the contract date. | The floating rate was converted into a fixed rate at the end of the disbursement period, which is 1.49% starting from 1 January 2011. Transactions are carried out in Euros (both withdrawals and repayments). | Transactions are carried out in Euros (both withdrawals and repayments). | Transactions are carried out in US\$ (both withdrawals and repayments). |

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
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17. DEFERRED INCOME TAX LIABILITIES

| | 2010 | 2009 | 2008 |
|---|--------------------|--------------------|--------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| | | Restated | Restated |
| Deferred income tax assets: | | | |
| Deferred income tax assets to be recovered after more than 12 months | (3,135,979) | (3,726,575) | (2,630,072) |
| Deferred income tax assets to be recovered within 12 months | (618,718) | (473,233) | (414,956) |
| | <u>(3,754,697)</u> | <u>(4,199,808)</u> | <u>(3,045,028)</u> |
| Deferred income tax liabilities | | | |
| Deferred income tax liabilities to be recovered after more than 12 months | 19,034,177 | 15,939,101 | 13,806,021 |
| Deferred income tax liabilities to be recovered within 12 months | - | - | - |
| | <u>19,034,177</u> | <u>15,939,101</u> | <u>13,806,021</u> |
| Deferred income tax liabilities (net) | <u>15,279,480</u> | <u>11,739,293</u> | <u>10,760,993</u> |

The gross movement of the deferred income tax account is as follows:

| | 2010 | 2009 | 2008 |
|---------------------------------------|-------------------|-------------------|-------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| | | Restated | Restated |
| Beginning of the year | 11,739,293 | 10,760,993 | 8,173,529 |
| Charged to income statement (Note 27) | <u>3,540,187</u> | <u>978,300</u> | <u>2,587,464</u> |
| End of the year | <u>15,279,480</u> | <u>11,739,293</u> | <u>10,760,993</u> |

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

Deferred income tax assets:

| | Non-deductible Interest | Retirement benefit | Allowance for inventory obsolescence | Allowance for doubtful debts | Bonus | Unrealised exchange gain/loss | Total |
|--|--------------------------------|---------------------------|---|-------------------------------------|----------------|--------------------------------------|----------------|
| | KHR'000 | KHR'000 | KHR'000 | KHR'000 | KHR'000 | KHR'000 | KHR'000 |
| As at 31 December 2007 | 164,488 | 2,730,260 | 31,144 | 2,149 | 262,613 | 469,275 | 3,659,929 |
| Credited/(charged) to the income statement | (164,488) | 254,529 | (11,659) | - | 89,298 | (782,581) | (614,901) |
| As at 31 December 2008 | - | 2,984,789 | 19,485 | 2,149 | 351,911 | (313,306) | 3,045,028 |
| Credited/(charged) to the income statement | - | 287,816 | (6,208) | - | 38,922 | 834,250 | 1,154,780 |
| As at 31 December 2009 | - | 3,272,605 | 13,277 | 2,149 | 390,833 | 520,944 | 4,199,808 |
| Credited/(charged) to the income statement | - | 796,959 | (400) | - | (22,752) | (1,218,918) | (445,111) |
| As at 31 December 2010 | - | 4,069,564 | 12,877 | 2,149 | 368,081 | (697,974) | 3,754,697 |

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008**

17. DEFERRED INCOME TAX LIABILITIES (continued)

Deferred income tax liabilities:

| | Accelerated tax depreciation KHR'000 |
|---------------------------------|---|
| As at 31 December 2007 | 11,833,458 |
| Charged to the income statement | <u>1,972,563</u> |
| As at 31 December 2008 | 13,806,021 |
| Charged to the income statement | <u>2,133,080</u> |
| As at 31 December 2009 | 15,939,101 |
| Charged to the income statement | <u>3,095,076</u> |
| As at 31 December 2010 | <u><u>19,034,177</u></u> |

18. RETIREMENT BENEFIT OBLIGATION

The amounts recognised in the balance sheet are determined as follows:

| | 2010 KHR'000 | 2009 KHR'000 | 2008 KHR'000 | 2007 KHR'000 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | | Restated | Restated | Restated |
| Present value of defined benefit obligation | 20,347,816 | 16,363,022 | 14,923,944 | 13,651,294 |
| Fair value of plan assets | - | - | - | - |
| Unfunded status | <u>20,347,816</u> | <u>16,363,022</u> | <u>14,923,944</u> | <u>13,651,294</u> |
| Net liability recognised in balance sheet | <u><u>20,347,816</u></u> | <u><u>16,363,022</u></u> | <u><u>14,923,944</u></u> | <u><u>13,651,294</u></u> |

The movement in the defined benefit obligation over the year is as follows:

| | 2010 KHR'000 | 2009 KHR'000 | 2008 KHR'000 |
|----------------------|--------------------------|--------------------------|--------------------------|
| | | Restated | Restated |
| As at 1 January | 16,363,022 | 14,923,944 | 13,651,294 |
| Current service cost | 708,485 | 899,536 | 717,633 |
| Interest cost | 924,432 | 854,768 | 786,315 |
| Benefits paid | (411,999) | (315,226) | (231,298) |
| Actuarial loss | <u>2,763,876</u> | <u>-</u> | <u>-</u> |
| As at 31 December | <u><u>20,347,816</u></u> | <u><u>16,363,022</u></u> | <u><u>14,923,944</u></u> |

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
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18. RETIREMENT BENEFIT OBLIGATION (continued)

The amounts recognised in the income statement are as follows:

| | 2010 | 2009 | 2008 |
|---|------------------|------------------|------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| | | Restated | Restated |
| Current service cost | 708,485 | 899,536 | 717,633 |
| Interest cost | 924,432 | 854,768 | 786,315 |
| Actuarial loss | 2,763,876 | - | - |
| Total, included in salaries, wages and related expenses (Note 22) | <u>4,396,793</u> | <u>1,754,304</u> | <u>1,503,948</u> |

The principal actuarial assumptions were as follows:

| | 2010 | 2009 | 2008 |
|---------------------------------------|--|-------------|-------------|
| Average expected future working years | 20 | 19 | 19 |
| Discount rates | 4.86% | 5.76% | 5.76% |
| Salary growth rates | According to the policy of the Authority (a) | | |
| Mortality rates | (b) | | |

(a) Salary growth rates

Staff are categorised into 11 classes, with each class having 25 steps. Each member of staff is expected to be promoted to the next step annually. The salary increment is derived from the average index change per respective class multiplied by the salary amount per index.

The salary amount per index is Riel 4,614 for 2010 and Riel 4,012 for 2008 and 2009. Below is the average index change in each of the respective classes.

| Class | Average index change per class |
|-------|--------------------------------|
| 1 | 5 |
| 2 | 7 |
| 3 | 8 |
| 4 | 10 |
| 5 | 12 |
| 6 | 13 |
| 7 | 14 |
| 8 | 15 |
| 9 | 16 |
| 10 | 17 |
| 11 | 18 |

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
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18. RETIREMENT BENEFIT OBLIGATION (continued)

(b) Mortality rates

In the absence of published mortality rates in Cambodia, the Authority used the 2008 Thailand mortality table modified to fit the Cambodian life expectancy. The 2008 Thailand mortality table is the latest published mortality table in Thailand.

The table below shows sample rates for the mortality table used by the Authority:

| Age | Mortality rates (% per annum) | |
|-----|-------------------------------|-------|
| | Females | Males |
| 20 | 0.582 | 0.664 |
| 30 | 0.598 | 0.705 |
| 40 | 0.618 | 0.759 |
| 50 | 0.742 | 1.008 |
| 60 | 1.113 | 1.589 |

19. DEFERRED GOVERNMENT AND OTHER GRANTS

| | AfD grant KHR'000 | Government grant KHR'000 | Other grants KHR'000 | Total KHR'000 |
|------------------------------------|----------------------|-----------------------------|-------------------------|-------------------|
| Year ended 31 December 2008 | | | | |
| Balance as at 1 January 2008 | 16,624,341 | 7,378,082 | 690,631 | 24,693,054 |
| Additions during the year | 2,946,259 | - | 1,213,649 | 4,159,908 |
| Amortisation | (708,613) | (434,846) | (123,526) | (1,266,985) |
| Balance as at 31 December 2008 | <u>18,861,987</u> | <u>6,943,236</u> | <u>1,780,754</u> | <u>27,585,977</u> |
| Year ended 31 December 2009 | | | | |
| Balance as at 1 January 2009 | 18,861,987 | 6,943,236 | 1,780,754 | 27,585,977 |
| Additions during the year | 413,600 | - | - | 413,600 |
| Amortisation | (162,160) | (434,846) | (211,697) | (808,703) |
| Transfer to capital (Note 14) | (10,304,450) | - | - | (10,304,450) |
| Balance as at 31 December 2009 | <u>8,808,977</u> | <u>6,508,390</u> | <u>1,569,057</u> | <u>16,886,424</u> |
| Year ended 31 December 2010 | | | | |
| Balance as at 1 January 2010 | 8,808,977 | 6,508,390 | 1,569,057 | 16,886,424 |
| Additions during the year | - | - | 611,533 | 611,533 |
| Amortisation | (292,767) | (434,846) | 5,240 | (722,373) |
| Balance as at 31 December 2010 | <u>8,516,210</u> | <u>6,073,544</u> | <u>2,185,830</u> | <u>16,775,584</u> |

Amortisation of deferred government and other grants is recognised as other income in the income statement.

PHNOM PENH WATER SUPPLY AUTHORITY**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008****19. DEFERRED GOVERNMENT AND OTHER GRANTS (continued)*****AfD grant***

Pursuant to the Convention signed by the MoEF and the AfD dated 24 June 2003, the MoEF and the Authority entered into a grant agreement on 24 June 2003. The MoEF has made available to the Authority a subvention up to a limit of Euro 4,000,000 (approximately Riel 23,314 million) to finance the extension of the drinking water supply network on the periphery of Phnom Penh, and related components.

The transfer of the grant to capital is based on letter No. 347 MoEF, dated 27 January 2009 from the MoEF, the shareholder of the Authority.

Government grant

The government grant represents the gain arising from a favourable difference in rates used from a fixed conversion (Riel/SDR) under the Subsidy Loan Agreement between the MoEF and the Authority on 5 May 1997 at the sum of SDR 9,695,000 from the ADB. The Authority has decided to keep the gain on the Authority books as a grant (no refund requirement on the gain) and the gain is to be amortised based on the same policy as other deferred grants.

Other grants

Other grants represent donations of fixed assets from Japan International Cooperation Agency and KUBOTA Construction Col., Ltd.

20. TRADE AND OTHER PAYABLES

| | 2010 | 2009 | 2008 |
|---------------------------------------|-------------------|-------------------|-------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| Trade payables | 7,267,774 | 4,973,453 | 8,062,959 |
| Accrued staff incentive | 2,100,267 | 2,346,136 | 2,261,410 |
| Performance guarantee | 2,736,534 | 2,697,361 | 3,654,027 |
| Accrued interest payable | 2,396,354 | 2,078,417 | 2,321,711 |
| Amount due to Phnom Penh Municipality | 1,489,783 | 1,023,049 | 540,007 |
| Deferred income (a) | 433,671 | 522,175 | 375,789 |
| Materials for house connections | 276,744 | 127,387 | 66,647 |
| Other taxes payable | 399,559 | 148,558 | 213,519 |
| Other payables | 1,157,144 | 306,834 | 501,291 |
| | 18,257,830 | 14,223,370 | 17,997,360 |

(a) This is the cash received in advance from the WB and Maries Paris for new household connections for the poor.

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
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21. SALES

| | 2010 | 2009 | 2008 |
|--|--------------------|-------------------|-------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| Water sales – domestic | 49,531,868 | 45,969,180 | 42,124,628 |
| Water sales – commercial | 39,870,567 | 34,036,102 | 32,648,675 |
| Water sales – public administration institutions | 6,333,564 | 5,452,505 | 5,222,013 |
| Water sales – wholesaler | 312,143 | 371,918 | 491,749 |
| Water sales – autonomous state authorities | 287,528 | 287,559 | 311,093 |
| Upper charge on water sale revenues | 25,586 | 24,071 | 21,874 |
| <u>Less: Invoice cancellations</u> | <u>(337,079)</u> | <u>(272,344)</u> | <u>(386,396)</u> |
| | <u>96,024,177</u> | <u>85,868,991</u> | <u>80,433,636</u> |
| Household water connection revenue | 4,465,553 | 4,833,250 | 5,437,795 |
| Water meter replacement charge | 1,804,612 | 1,531,632 | 1,574,120 |
| Spare parts and meter sales | 411,855 | 482,582 | 454,602 |
| Penalty revenue | 294,407 | 93,011 | 396,943 |
| Other revenues | <u>2,542,936</u> | <u>2,790,091</u> | <u>3,290,555</u> |
| | <u>105,543,540</u> | <u>95,599,557</u> | <u>91,587,651</u> |

22. SALARIES, WAGES AND RELATED EXPENSES

| | 2010 | 2009 | 2008 |
|------------------------------------|-------------------|-------------------|-------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| | | Restated | Restated |
| Employee salaries | 5,973,533 | 5,723,004 | 5,771,317 |
| Incentives | 3,256,067 | 3,158,469 | 2,592,028 |
| Bonuses | 1,840,405 | 1,954,167 | 1,759,557 |
| Wages for contractors | 187,327 | 190,000 | 113,222 |
| Retirement benefit costs (Note 18) | 4,396,793 | 1,754,304 | 1,503,948 |
| Other employee-related expenses | <u>1,477,282</u> | <u>1,330,474</u> | <u>1,171,738</u> |
| | <u>17,131,407</u> | <u>14,110,418</u> | <u>12,911,810</u> |

23. RAW MATERIALS FOR WATER PRODUCTION

| | 2010 | 2009 | 2008 |
|-----------------|------------------|------------------|------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| Alum | 2,665,377 | 3,546,651 | 3,042,483 |
| Chlorine | 1,104,449 | 1,092,595 | 713,620 |
| Lime | 247,617 | 113,627 | 384,264 |
| Other materials | <u>94,491</u> | <u>107,378</u> | <u>142,465</u> |
| | <u>4,111,934</u> | <u>4,860,251</u> | <u>4,282,832</u> |

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24. RAW MATERIALS FOR HOUSEHOLD WATER CONNECTIONS

| | 2010 | 2009 | 2008 |
|-----------------------------------|------------------|------------------|------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| Spare parts for house connections | 2,305,554 | 2,543,476 | 2,457,226 |
| Consumer water meter replacement | 579,502 | 573,157 | 717,707 |
| Pipe costs | 116,047 | 128,826 | 115,428 |
| Other costs | 684,935 | 707,706 | 769,293 |
| | <u>3,686,038</u> | <u>3,953,165</u> | <u>4,059,654</u> |

25. FOREIGN EXCHANGE GAIN/(LOSS) - NET

| | 2010 | 2009 | 2008 |
|-----------------------|------------------|------------------|------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| Foreign exchange gain | 7,128,475 | 2,371,833 | 2,966,806 |
| Foreign exchange loss | (4,440,692) | (3,270,457) | (749,328) |
| | <u>2,687,783</u> | <u>(898,624)</u> | <u>2,217,478</u> |

26. FINANCE INCOME/(COST) - NET

| | 2010 | 2009 | 2008 |
|--|--------------------|--------------------|--------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| Finance income: | | | |
| - Interest income on bank deposits (a) | 6,506,982 | 6,598,613 | 5,478,338 |
| - Interest income on loan to PWS | 43,418 | 29,569 | - |
| - Interest income on loan to EDC | - | - | 57,251 |
| | <u>6,550,400</u> | <u>6,628,182</u> | <u>5,535,589</u> |
| Finance costs: | | | |
| - Interest expenses on borrowings (b) | (5,191,191) | (5,667,455) | (6,859,210) |
| - Interest expenses capitalised on qualifying assets | 588,909 | - | - |
| | <u>(4,602,282)</u> | <u>(5,667,455)</u> | <u>(6,859,210)</u> |
| Finance income/(cost) - net | <u>1,948,118</u> | <u>960,727</u> | <u>(1,323,621)</u> |

(a) Interest income represents interest earned from savings and deposit accounts held at local banks during the year.

(b) Interest expense represents the interest charges on the loans obtained from AfD and the Subsidiary Loans obtained from MoEF, which are funded through loans obtained from the WB, ADB and JICA.

PHNOM PENH WATER SUPPLY AUTHORITY

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27. INCOME TAX EXPENSE

Under the Law on Taxation, the Authority has an obligation to pay Tax on Profit at 20% of taxable profit or minimum tax at 1% of total turnover, whichever is higher.

(a) Income tax expense

| | 2010 | 2009 | 2008 |
|-------------------------------|------------------|------------------|------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| | | Restated | Restated |
| Current income tax | 4,131,039 | 5,845,739 | 3,553,886 |
| Deferred income tax (Note 17) | 3,540,187 | 978,300 | 2,587,464 |
| | <u>7,671,226</u> | <u>6,824,039</u> | <u>6,141,350</u> |

(b) Reconciliation between income tax and accounting profit

| | 2010 | 2009 | 2008 |
|---------------------------------------|-------------------|-------------------|-------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| | | Restated | Restated |
| Accounting profit before income tax | <u>38,177,578</u> | <u>33,757,769</u> | <u>30,577,584</u> |
| Tax expense at 20% | 7,635,516 | 6,751,554 | 6,115,517 |
| Tax amount of non-deductible expenses | <u>35,710</u> | <u>72,485</u> | <u>25,833</u> |
| Tax on Profit | <u>7,671,226</u> | <u>6,824,039</u> | <u>6,141,350</u> |

Tax on Profit 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 Tax on Profit will be made following inspection by the General Department of Taxation.

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28. CASH GENERATED FROM OPERATIONS

| | Note | 2010 KHR'000 | 2009 KHR'000 Restated | 2008 KHR'000 Restated |
|--|-------------|-------------------------|-------------------------------------|-------------------------------------|
| Profit before taxation | | 38,177,578 | 33,757,769 | 30,577,584 |
| Adjustments for: | | | | |
| Depreciation charges | 5 | 20,359,769 | 19,234,818 | 19,152,143 |
| Amortisation charges of intangible assets | 6 | 176,492 | 150,782 | 134,625 |
| Amortisation of deferred government grants | 19 | (722,373) | (808,703) | (1,266,985) |
| Loss/(gain) on disposal of property, plant and equipment | | 24,924 | (69,152) | 924,115 |
| Interest expenses | 26 | 4,602,282 | 5,667,455 | 6,859,210 |
| Interest income | 26 | (6,550,400) | (6,628,182) | (5,535,589) |
| Retirement benefit obligation expenses | 18 | 4,396,793 | 1,754,304 | 1,503,948 |
| Changes in working capital: | | | | |
| Inventories | | (1,449,582) | 10,796,077 | (5,331,687) |
| Trade and other receivables | | (24,724,361) | (2,141,711) | 8,756,342 |
| Trade and other payables | | 3,716,523 | (3,530,696) | 3,582,890 |
| Refundable water deposits | | <u>2,094,557</u> | <u>2,042,524</u> | <u>2,252,270</u> |
| Cash generated from operations | | <u>40,102,202</u> | <u>60,225,285</u> | <u>61,608,866</u> |

PHNOM PENH WATER SUPPLY AUTHORITY

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29. CAPITAL COMMITMENTS

Commitments contracted but not recorded during the year are as follows:

| | 2010 | 2009 | 2008 |
|--------------------------------------|--------------------|------------------|-------------------|
| | KHR'000 | KHR'000 | KHR'000 |
| MoEF (WB credit No. 3746 KH) | | | |
| HDPE pipes | 15,848,543 | - | 1,736,131 |
| Water tank construction | - | 213,846 | 276,631 |
| Consultant services | - | 71,678 | - |
| | <u>15,848,543</u> | <u>285,524</u> | <u>2,012,762</u> |
| MoEF (JICA) | | | |
| Water treatment plant (Niroth) | 130,035,520 | - | - |
| | <u>130,035,520</u> | <u>-</u> | <u>-</u> |
| AfD – grant | | | |
| Pipes, fittings, valves and vehicles | - | - | 61,745 |
| | <u>-</u> | <u>-</u> | <u>61,745</u> |
| AfD – credit | | | |
| Water treatment plant | 30,458,230 | - | 15,145,047 |
| Consultant services | 5,198,926 | - | 1,161,085 |
| Water treatment plant (CCW Phase II) | - | 2,344,829 | - |
| Pipes, fittings and valves | - | 1,201,540 | 1,100,108 |
| | <u>35,657,156</u> | <u>3,546,369</u> | <u>17,406,240</u> |
| | <u>181,541,219</u> | <u>3,831,893</u> | <u>19,480,747</u> |

The contract periods range from six months to 24 months, and the Authority is required to comply with agreed terms and conditions.

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
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30. RELATED PARTY TRANSACTIONS

i) The Authority is under the technical supervision of the MIME and the financial supervision of the MoEF.

Significant related party balances with the MoEF with respect to borrowings are disclosed in Note 16.

PWS is a related party of the Authority as it is also under the technical supervision of the MIME. Significant related party balances with PWS are disclosed in Note 8.

ii) Compensation

| | 2010 | 2009 | 2008 |
|--|----------------|----------------|----------------|
| | KHR'000 | KHR'000 | KHR'000 |
| <i>Board of Directors</i> | | | |
| Salary, fees and related expenses | 595,305 | 601,012 | 499,721 |
| Retirement benefits | 6,179 | 5,694 | 5,243 |
| | <u>601,484</u> | <u>606,706</u> | <u>504,964</u> |
| <i>Key management personnel</i> | | | |
| Salaries and other expenses | 191,471 | 177,549 | 158,651 |
| Retirement benefits | 10,034 | 9,289 | 8,596 |
| | <u>201,505</u> | <u>186,838</u> | <u>167,247</u> |
| | <u>802,989</u> | <u>793,544</u> | <u>672,211</u> |

31. EVENTS AFTER THE BALANCE SHEET DATE

The Authority is in the process of initial public offering and plans to operate in the primary market by the end of 2011. It is also in the process of registration with the Ministry of Commerce in accordance with Anukret No 71. R.N.K.B.R issued by the Royal Government of Cambodia dated 22 April 2011.

In accordance with letter No. 3066 SHV TR issued by the MoEF, which is also the Authority's shareholder, dated 26 May 2011, deferred government and other grants amounting to Riel 9 billion were approved to be transferred to the capital of the Authority.

The management has discussed and agreed in principal a plan to create a separate legal entity as a 100% wholly owned subsidiary of the Authority. The principal business activity of the entity is to provide the construction for a main water grid for the Authority as well as external parties. A number of staff working under the Production and Water Supply section will be migrated to work for the newly establishing entity. This plan is subject to approval by the Board of Directors at the coming meeting and the management has committed to realise the plan by early 2012.

10: OTHER INFORMATION

1- Resolution of Board of Directors for the last 3 years prior to filing of application

| Date | Agenda | Status |
|-------------------|--|----------|
| 25 March 2008 | Request for review and approval of 2007 financial statement and 2007 profit distribution. | Approved |
| | Report on performance of first quarter of 2008 and the plan for the second quarter of 2008. | Approved |
| | Report on first quarter procurements for 2008. | Approved |
| | Request for construction of flocculation basin and filtration basin at Phum Prek WTP. | Approved |
| | Report on construction of Niroth WTP. | Approved |
| | Report proposal for loan to Pursat Water Supply Authority. | Approved |
| 19 June 2008 | Report on performance for second half of first semester for 2008 and third quarter plan of 2008. | Approved |
| | 2007 Audit report. | Approved |
| | Report on second quarter procurements for 2008. | Approved |
| | Proposal for the purchase of additional 36mm plastic pipes with a length of 2km. | Approved |
| | Report on the construction of the administration building. | Approved |
| 25 September 2008 | Report on 8-month performance in 2008 and 4 months' future assessment for 2008 and plan for enterprise and investment operations for 2009. | Approved |
| | Report on third quarter procurements for 2008 and request for review and approval of 2009 procurement plan. | Approved |
| | Request for removal of unusable immovable property from inventory. | Approved |
| | Request for review and approval of the application of funds for social purposes. | Approved |
| | Request for review and approval of appointment of external auditing firm for 2008. | Approved |
| 25 December 2008 | Report on 10 months' performance in 2008 and 2 months' future assessment for 2008 and plan for the first quarter of 2009. | Approved |
| | Fourth quarter procurement report for 2008. | Approved |
| | 2007 Internal audit report. | Approved |
| | Proposal for adjusting the useful life of immovable property. | Approved |

| Date | Agenda | Status |
|-------------------|---|----------|
| 25 December 2008 | Report on drilling for water at Takhmao for residents thereof. | Approved |
| | Report on maintenance fee for the Navision accounting system for 2009. | Approved |
| | Use of funds for social purposes in 2008. | Approved |
| 27 March 2009 | Request for review and approval of 2008 financial statements. | Approved |
| | Report on first quarter performance and second quarter target of 2009. | Approved |
| | Report on study into the impact of the global crisis on PPWSA. | Approved |
| | Report on first quarter procurements for 2009. | Approved |
| | Report on use of funds for social purpose. | Approved |
| | Request for authorizing the Director General to execute contracts and other associated documents. | Approved |
| 08 July 2009 | Ceremony for fourth mandate assumption of Board of Directors. | Approved |
| | Workflow of BOD | Approved |
| | Report on performance for second half of first semester and third quarter target for 2009. | Approved |
| | Report on second quarter procurement in 2009 | Approved |
| | Report on laying water connection network in Preah Vihear zone. | Approved |
| | Request for review and approval of 2008 audit report. | Approved |
| | Request for review and approval on glutted and deteriorated materials. | Approved |
| | Request for construction materials supply. | Approved |
| | Construction of water transmission pumps for Niroth WTP underneath the flyover. | Approved |
| 23 September 2009 | Report on 8-months' performance in 2009 and 4-months' future assessment for 2009 and request for review and approval of 2010 plan. | Approved |
| | Report on third quarter procurements for 2009 and request for review and approval of 2010 procurement plan. | Approved |
| | Request for review and approval of appointment of external auditing firm for 2009. | Approved |
| | Report on use of funds for social purposes and request for review and approval of plan for water supply to division N° 8. | Approved |
| | Report on change of name of "PPWSA" in accordance with the change of name of "Phnom Penh Municipality" into that of "Phnom Penh Capital". | Informed |

| Date | Agenda | Status |
|-------------------|---|----------|
| 28 December 2009 | Report on 10-months' performance in 2009 and 2-months' future assessment for 2009 and first quarter plan of 2010. | Approved |
| | Report on fourth quarter procurements for 2009. | Approved |
| | Report on implementation of Niroth plan. | Approved |
| | Report on use of funds for social purposes. | Approved |
| | Proposal for leasing 5000m ² of land for Niroth from CHIP MONG CONCRETE Co., Ltd. | Approved |
| | Technical Cooperation between PPWSA and Kitakyushu City Water Authority (Japan). | Approved |
| 01 April 2010 | Request for review and approving of 2009 financial statements. | Approved |
| | Report on first quarter performance and second quarter target for 2010. | Approved |
| | Report on first quarter procurements for 2010 | Approved |
| | Report on use of funds for social purposes in first quarter of 2010. | Approved |
| | Director General thanked Chairman of Board of Directors and other directors, by awarding them and the State Controller a laptop each. | Approved |
| 07 July 2010 | Report on performance for second half of semester 1 and third quarter target for 2010. | Approved |
| | Request for review and approval of 2009 audit report. | Approved |
| | Report on second quarter procurements for 2010. | Approved |
| | Report on use of funds for social purposes in second quarter of 2010. | Approved |
| | Request for removal of unusable immovable property from inventory. | Approved |
| | Director General reported award won in 2010. | Approved |
| 16 August 2010 | Listing PPWSA on CSX. | Approved |
| 30 September 2010 | Report on 8-months' performance for 2010 and 4-months' future assessment for 2010 | Approved |
| | Request for review and approval of appointment of external auditing firm for 2010. | Approved |
| | Report on third quarter procurements for 2010 and request for review and approval of 2011 procurement plan. | Approved |
| | Report on use of funds for social purposes in third quarter and request for review and approval of use of funds for 2011. | Approved |
| | Report of plan for establishment of Niroth WTP | Approved |
| | Re use of proceeds obtained from IPO | Approved |

| Date | Agenda | Status |
|-------------------------|---|----------|
| 27 December 2010 | Report on 10-months' performance for 2010 and 2-months' future assessment for 2010 and first quarter plan for 2011. | Approved |
| | Report on fourth quarter procurements of 2010. | Approved |
| | Report on use of funds for social purposes for fourth quarter of 2010. | Approved |
| | Matter for PPWSA to be listed on Cambodia Securities Exchange. | Approved |
| 31 March 2011 | Request for review and approval of 2010 financial statements. | Approved |
| | Report on first quarter performance for 2011 and second quarter target of 2011. | Approved |
| | Report on first quarter procurements for 2011. | Approved |
| | Report on use of funds for social purpose for first quarter of 2011. | Approved |
| | Request for approval of work done by PPWSA in preparation for the issue of shares and listing on CSX. | Approved |
| | Report on implementation of the first stage of Niroth WTP | Approved |
| 30 June 2011 | Report on performance of second half of semester 1 and third quarter target of 2011. | Approved |
| | Report on second quarter procurements for 2011. | Approved |
| | Report on use of funds for social purposes and for enterprise development in second half of semester 1 of 2011. | Approved |
| | Request for removal of unusable immovable property from inventory. | Approved |
| | Report and request for approval in relation to progress in PPWSA's listing preparations. | Approved |
| | Water supply along Cambodia-Thailand border. | Approved |
| 22 September 2011 | Report on 8-months' performance for 2011 and 2-months' future assessment for 2011 and request for review and approval of 2012 plan. | Approved |
| | Report on third quarter procurements for 2011 and request for review and approval of 2012 procurement plan. | Approved |
| | Report on use of funds for social purposes in third quarter and request for review and approval of 2012 plan for use of funds. | Approved |
| | Audit Report on 2008, 2009, 2010 financial statements and request for review and approval for appointment of external auditing firm for 2011. | Approved |
| | Report on IPO matter | Approved |
| | Proposal for nomination of Mr. SEM BUNHENG as advisor to PPWSA. | Approved |

| Date | Agenda | Status |
|------------------------|--|---|
| 08 December 2011 | Request for review and approval of 2013 financial projections. | Approved |
| | Report on assessment of PPWSA's tangible immovable properties | Approved |
| | Request for review and approval of division and categorization of capital and management of properties by PPWSA. | Pending |
| | Request for review and approval of draft AOI of PPWSA. | Approved |
| | Request for review and approval of purchase of additional 15mm water meters and connection materials. | Approved |
| 29 December 2011 | Request for review and approval on Disclosure Document | Approved |
| | Request for review and approval of draft AOI of PPWSA. | Approved (revise AOI) |
| | Request for review and approval of assessment of employee stock option plan | Approved |
| | Request for review and approval on the ESOP | Approved |
| | Report on 10-month performance for 2011 and 2-month assessment for 2011 and first quarter plan of 2012. | Approved |
| | Request for review and approval of IPO size | Approved (waiting the final approval from MEF) |
| | Request for review and approval of Dividend Policy of PPWSA . | Approved (revised provisions) |
| | Request for review and approval of division and categorization of capital and management of properties by PPWSA. | Approved (waiting the final approval from MEF) |
| 15 February 2012 | Use of proceeds obtained from IPO | Approved |
| | Request for review and approval on the code of conduct of directors and senior officers | Approved |
| | Request for Appointment of 4 management levels as the Deputy Director General | Approved |
| | Request for review and approval on the Disclosure Document | Approved |
| | 1. Valuation report for IPO of PPWSA | Approved |
| | 2. ESOP | Approved |
| | 3. Dividend Policy | Approved |
| | 4. Code of Conduct of Directors | Approved |

| Date | Agenda | Status |
|------------------|--|----------|
| 15 February 2012 | 5. Shareholders' rights: Add in the previous AOI | Approved |
| | 6. Condition of the loan agreement and construction contract | Approved |
| | 7. 9 month interim report for 2011 | Approved |
| | Request for approval on the use of Social Fund for the purpose of water supply to the Army | Approved |
| | Pay-off of the loan agreement before the maturity | Approved |

* Approved / Rejected / Deferred (Informed – Issues simply reported to BOD and are not subject to be decided)

2- Financial information audited by the internal auditor for the last 3 financial years

- N/A

3- Resolution of shareholders during the last 3 years prior to filing of application

- N/A

4- Dividend report during the last 3 years indicating the dividend per share, total dividend and dividend return prior to filing of application

- N/A

5- Report on legal proceeding description during the last 3 years prior to filing of application

- N/A

SECTION 11: EXPERT'S CONSENT

- N/A

SECTION 12: SUBSCRIPTION FORM



[Page 1 / 4]

ពាក្យស្នើសុំធ្វើបរិសកម្មមូលបត្រកម្មសិទ្ធិ Subscription Application Form

| | |
|------------------------------------|---|
| លេខបរិស្ថាន : Subscription No.: | ក្រុមហ៊ុន : រដ្ឋាករទឹកស្វយ័តក្រុងភ្នំពេញ (ប.ទ.ស.វ.) Company: Phnom Penh Water Supply Authority (PPWSA) |
|------------------------------------|---|

មូលបត្រកម្មសិទ្ធិសរុបដែលត្រូវផ្តល់ដល់អ្នកបោះពុម្ពសាធារណៈលើកដំបូងមានចំនួន ១៣.០៤៥.៩៧៥ ឯកតាមូលបត្រកម្មសិទ្ធិ ដែលត្រូវចែកចាយដល់អ្នកបោះពុម្ពសាធារណៈក្នុងរយៈពេល ១.០០០ រៀល សរុបរៀបចំក្នុងមួយឯកតាមូលបត្រកម្មសិទ្ធិស្មើនឹង ២.៣០០ រៀល។

មូលបត្រកម្មសិទ្ធិសរុបដែលរំលែកសម្រាប់បុគ្គលិកមានចំនួន ១.៣០៤.៩៧៥ ឯកតាមូលបត្រកម្មសិទ្ធិ ដែលត្រូវចែកចាយដល់បុគ្គលិកក្នុងរយៈពេល ១.០០០ រៀល សរុបរៀបចំក្នុងមួយឯកតាមូលបត្រកម្មសិទ្ធិស្មើនឹង ២.៣០០ រៀល។

កាតព្វកិច្ចរបស់អ្នកបោះពុម្ពសាធារណៈ គឺជា ១០០ ឯកតាមូលបត្រកម្មសិទ្ធិស្មើនឹង ២.៣០០ រៀល។ កាលបើអ្នកបោះពុម្ពសាធារណៈចុះបញ្ជីចំនួនតិចជាង ១០០ ឯកតាមូលបត្រកម្មសិទ្ធិដែលត្រូវធ្វើបរិសកម្មស្មើនឹងចំនួនតិចជាង ១០០ ឯកតាមូលបត្រកម្មសិទ្ធិដែលត្រូវធ្វើបរិសកម្មសរុប។

The total number of equity securities for initial public offering are 13,045,975 units of equity securities with per value per unit of equity securities 1,000 riels and the offering price per unit of equity securities 2,300 riels.

The total number of equity securities reserve for employees are 1,304,975 units of equity securities with per value per unit of equity securities 1,000 riels and the offering price per unit of equity securities 2,300 riels.

The minimum of equity securities to be subscribed is 100 unit of equity securities. If the subscription in excess of the minimum as mentioned above, the subscription shall be multiplied by the minimum.

| | |
|---|--|
| កាលបរិច្ឆេទស្នើសុំធ្វើបរិសកម្ម : Subscription Date : | (ថ្ងៃ / ខែ / ឆ្នាំ) (dd / mm / yyyy) |
| ឈ្មោះក្រុមហ៊ុនចេញ : Issuer : | រដ្ឋាករទឹកស្វយ័តក្រុងភ្នំពេញ Phnom Penh Water Supply Authority |
| ឈ្មោះក្រុមហ៊ុនធានាសិទ្ធិប្រកាស : Underwriter : | តុងយ៉ាង ស៊ីធីស៊ី (ខេមបូឌា) ភីអិលស៊ី TONGYANG Securities (Cambodia) Plc. |

ព័ត៌មានអ្នកបោះពុម្ពសាធារណៈ SUBSCRIBER'S INFORMATION

អត្តសញ្ញាណអ្នកបោះពុម្ពសាធារណៈ (សូមជ្រើសរើសតែមួយ) : ចំពោះបុគ្គលិក ប.ទ.ស.វ. ក្រុមហ៊ុនទឹកស្វយ័ត ក្រុងភ្នំពេញ (ប.ទ.ស.វ. (ESOP) :
Subscriber's Identity: (Select only one: PPWSA Employee shall select PPWSA Employee (ESOP))

- | | | |
|---|---|--|
| <input type="checkbox"/> គ្រូបបុគ្គលសញ្ជាតិខ្មែរ Cambodian Citizen - Individual | <input type="checkbox"/> គ្រូបបុគ្គលមិនមែនសញ្ជាតិខ្មែរ Non-cambodian Citizen - Individual | <input type="checkbox"/> បុគ្គលិក ប.ទ.ស.វ. (ESOP) PPWSA Employee (ESOP) |
| <input type="checkbox"/> ធិតិបុគ្គលសញ្ជាតិខ្មែរ Cambodian Citizen - Legal Entity | <input type="checkbox"/> ធិតិបុគ្គលមិនមែនសញ្ជាតិខ្មែរ Non-cambodian Citizen - Legal Entity | |

ក. សម្រាប់បុគ្គលិក:

A. For individual:

| | | | |
|---|--|--|----------------------------------|
| ១. ឈ្មោះ : _____ | ភេទ : <input type="checkbox"/> ប្រុស <input type="checkbox"/> ស្រី Gender : Male / Female | ស្ថានភាព ព្រហ្មណ៍ : <input type="checkbox"/> ទោលីយ៍ <input type="checkbox"/> រៀបការ Marital Status : Single / Married | សញ្ជាតិ : _____ Nationality : |
| លេខអត្តសញ្ញាណកម្ម (សញ្ជាតិខ្មែរ) ឬ លេខប័ណ្ណ (សញ្ជាតិបរទេស) National ID No. (Cambodian) or Passport No. (Non-Cambodian) : _____ | | កាលបរិច្ឆេទប័ណ្ណ : _____ Expiry Date : | |
| លេខអត្តសញ្ញាណកម្មអ្នកបោះពុម្ពសាធារណៈ ពី ប.ទ.ស.វ. Investor ID No. issued by SECC : _____ | | | |
| ២. ថ្ងៃខែឆ្នាំកំណើត : _____ | ទីកន្លែងកំណើត : _____ Place of Birth : | | |
| ៣. អាសយដ្ឋានបច្ចុប្បន្ន : _____ | ផ្លូវលេខ : _____ Street : | ឃុំ/សង្កាត់ : _____ Quarter / Commune : | |
| ក្រុង/ខេត្ត/ស្រុក : _____ District : | ខេត្ត / រាជធានី : _____ Province / City : | ប្រទេស : _____ Country : | |
| ៤. ទូរស័ព្ទលេខ : _____ | ទូរស័ព្ទលេខ : _____ Fax No. : | អ៊ីមែល : _____ Email : | |

| | | | |
|---|---|---|---|
| ចំនួនមូលបត្រកម្មសិទ្ធិសាធារណៈលើស្នើរសុំលក់ [គ] (តំបន់ ១០០ ដុល្លារកម្ពុជាមូលបត្រកម្មសិទ្ធិ) Total Number of Subscribing Equity Securities [C] (Minimum 100 shares) | ថ្លៃលក់ក្នុងមួយឯកតាមូលបត្រកម្មសិទ្ធិ(ជាដុល្លារ) [ឃ] Offering Price per Equity Securities (KHR) [D] | ចំនួនទឹកប្រាក់សរុបជាលេខ (ជាដុល្លារ) [ង = គ x ឃ] Total Amount in Number (KHR) [E = C x D] | ចំនួនទឹកប្រាក់សរុបជាលេខ (ជាដុល្លារ) Total Amount in Word (KHR) |
| | 6,300 | | |

Subsopon^a Depen^a (Full or Additional Deposit) (KSH)

| | | |
|--|---|---|
| <input type="checkbox"/> ប្រាក់ស្នូល Cash | <input type="checkbox"/> ការផ្ទេរ Transfer | <input type="checkbox"/> ការផ្ទេរតាមអន្តរាគមន៍ (ឈ្មោះធនាគារ) : _____ Inter-bank Transfer (Bank Name : _____) |
| <input type="checkbox"/> អ្នកបញ្ជូនត្រូវបំពេញបញ្ជីប្រាក់ត្រូវ Check : Check No. _____ | កាលបរិច្ឆេទ Date _____ | ធនាគារ Bank _____ |
| <input type="checkbox"/> ការផ្ទេរប្រាក់ពីក្រៅប្រទេស Overseas Remittance : អ្នកបញ្ជូនប្រាក់ Remitter _____ | ទូទាត់ផ្ទេរ Pay to _____ | |
| <input type="checkbox"/> ផ្សេងៗទៀត Others : _____ | | |

Securities Firm's Name: _____ Trading Account Number: _____

Other Requests: (Subject to the pre discussion and agreement with the Underwriter)

☐ វិញ្ញាបនបត្រចុះឈ្មោះ
Business Registration Certificate

☐ លិខិតអនុញ្ញាតឱ្យតំណាងពីក្រុមហ៊ុន
Letter of Authorization for Legal Entity's Representative

នៅក្នុងការរៀបរៀងកម្មវិធីបេសកកម្មសិទ្ធិជនៈ ខ្ញុំបានមកដល់កសាងរូបបំរើតំណាងក្នុងមូលដ្ឋាន

In subscribing to the equity securities, I received the disclosure document in the form of:

In subscribing to the equity securities, I received the disclosure document in the form of:

[手抄本
Hand copy

 Storage device

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The subscription and payment made by subscriber shall be in accordance with the conditions specified in the disclosure document. I agree and acknowledge that issuer shall be entitled to refuse if any subscription does not comply with the said conditions. I undertake to purchase the number of equity securities as stated above or the number of equity securities allotted to me, I shall not cancel my subscription, and accept a return amount if the subscription is refused. I agree with the condition of initial public offering as specified in the disclosure document. I also acknowledge that the investment in equity securities is risky.

มีฐานข้อมูลคลังข้อมูลแบบที่สถาบันวิจัยเพื่อสังคมไทยใช้ ซึ่งใช้ข้อมูลจากหน่วยงานราชการและภาคเอกชน

☐ I read thoroughly the disclosure document before subscribing.

ហត្ថលេខា ត្រា* និងឈ្មោះអ្នកធ្វើបរិស្សេកម្ម
Signature/Seal* and Name of Subscriber

Date : dd / mm / www

* $\frac{1}{2} \frac{d}{dt} \int_{\Omega} |\nabla u|^2 dx = \int_{\Omega} u \Delta u dx$

* In case investor is legal entity

Signature/Seal and Name of Head of Securities Representative or Branch Manager or CEO

Date : dd / mm / yyyy

| |
|---|
| SECTION 13: SIGNATURE OF CHAIRMAN OF BOARD OF DIRECTORS, DIRECTORS, CEO AND CFO OF COMPANY |
|---|

**Chairman of BOD
of Directors**

Signature

Date

CEO

Signature

Date

CFO

Signature

Date

Director

Signature

Date

Director

Signature

Date

Appendix

- 1- The interim report for the period ended 30 September 2011
- 2- The consolidated financial statements prepared and audited pursuant to the provisions of the Law on Corporate Accounts, Their Audit and The Accounting Professions for the last 03 financial years.
(N/A)
- 3- The code of Ethics for director of PPWSA
(Please refer to the Khmer version of the Disclosure Document)
- 4- Asset valuation report
(Please refer to the Khmer version of the Disclosure Document)
- 5- Auditor's report on incentive policy
(N/A)
- 6- Data on water quality of PPWSA from laboratories in Singapore and Shanghai
(Please refer to the Khmer version of the Disclosure Document)

Appendix 1

PHNOM PENH WATER SUPPLY AUTHORITY

**CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011**

PHNOM PENH WATER SUPPLY AUTHORITY

**CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011**

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Report on review of condensed interim financial information

To the Shareholders of Phnom Penh Water Supply Authority

Introduction

We have reviewed the accompanying interim balance sheet of Phnom Penh Water Supply Authority ("the Authority") as at 30 September 2011, related interim statement of income for the three month and nine month periods ended 30 September 2011 and the related statements of changes in equity and cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with Cambodian International Accounting Standard 34, 'Interim financial reporting'. 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 the Cambodian 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 enquiries, 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 is not prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34, 'Interim financial reporting'.

Other matter

As explained in Note 1 to the condensed interim financial information, the Authority prepared and presented the interim statements of income, changes in equity and cash flows for the nine month period ended 30 September 2010 for comparative purposes with the current condensed interim financial information. These comparative figures were not reviewed or audited.

We have audited the financial statements for the year ended 31 December 2010 of the Authority in accordance with Cambodian Accounting Standards and expressed an unqualified opinion on those statements in our report dated 19 August 2011. The balance sheet as at 31 December 2010, as presented for comparative purposes, is part of the financial statements, which we have audited and issued a report thereon. We have not performed any other auditing procedures subsequent to the date of that report.

For PricewaterhouseCoopers (Cambodia) Ltd.


By Kuy Lim
Director



Phnom Penh, Kingdom of Cambodia
Date: 15 February 2012

PHNOM PENH WATER SUPPLY AUTHORITY

**INTERIM BALANCE SHEET
AS AT 30 SEPTEMBER 2011**

| | | 30 September 2011 | 31 December 2010 |
|--------------------------------------|-------------|------------------------------|-----------------------------|
| | Note | KHR'000 | KHR'000 |
| | | (Unaudited) | (Audited) |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 607,467,784 | 541,321,047 |
| Intangible assets | | 928,641 | 996,801 |
| Loans to Pursat Water Supply | | 728,152 | 768,266 |
| | | <u>609,124,577</u> | <u>543,086,114</u> |
| Current assets | | | |
| Inventories | | 30,176,192 | 20,176,810 |
| Trade and other receivables | | 45,445,005 | 44,376,504 |
| Loans to Pursat Water Supply | | 59,479 | 50,149 |
| Income tax receivable | 8 | 688,692 | 1,643,818 |
| Short-term investments | | 137,866,045 | 129,697,135 |
| Cash and cash equivalents | | 10,866,386 | 7,066,752 |
| | | <u>225,101,799</u> | <u>203,011,168</u> |
| Total assets | | <u>834,226,376</u> | <u>746,097,282</u> |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Capital | 9 | 465,028,129 | 456,000,264 |
| Reserves | | 56,516,674 | 29,060,957 |
| Retained earnings | | 22,841,626 | 30,506,352 |
| Total equity | | <u>544,386,429</u> | <u>515,567,573</u> |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Retirement benefit obligation | 10 | 21,535,266 | 20,347,816 |
| Deferred income tax liabilities | | 16,429,146 | 15,279,480 |
| Borrowings | 7 | 182,625,737 | 129,255,377 |
| Refundable water deposits | | 23,905,518 | 21,854,738 |
| Deferred government and other grants | | 7,405,791 | 16,775,584 |
| | | <u>251,901,458</u> | <u>203,512,995</u> |
| Current liabilities | | | |
| Trade and other payables | | 29,279,673 | 18,257,830 |
| Borrowings | 7 | 8,658,816 | 8,758,884 |
| | | <u>37,938,489</u> | <u>27,016,714</u> |
| Total liabilities | | <u>289,839,947</u> | <u>230,529,709</u> |
| Total equity and liabilities | | <u>834,226,376</u> | <u>746,097,282</u> |

The accompanying notes on pages 273 to 280 are an integral part of this interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

**INTERIM STATEMENT OF INCOME
FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2011**

| | Three months ended | |
|---|---------------------------|---------------------------|
| | September 2011 | September 2010 |
| Note | KHR'000 | KHR'000 |
| | (Unaudited) | (Unreviewed) |
| REVENUES | | |
| Sales | 28,535,051 | 25,968,697 |
| Other income | 106,936 | 174,452 |
| | <u>28,641,987</u> | <u>26,143,149</u> |
| EXPENSES | | |
| Depreciation and amortisation charges | (5,316,451) | (5,421,480) |
| Electricity cost | (5,861,632) | (5,335,915) |
| Salaries, wages and related expenses | (4,377,414) | (4,373,377) |
| Raw materials for water production | (1,267,247) | (1,042,197) |
| Raw materials for household water connections | (1,364,215) | (656,733) |
| Repairs and maintenance | (732,433) | (613,233) |
| Other operating expenses | (882,414) | (628,577) |
| Foreign exchange gain/(loss) – net | 4,948,671 | (7,413,174) |
| | <u>(14,853,135)</u> | <u>(25,484,686)</u> |
| Operating profit | 13,788,852 | 658,463 |
| Finance income | 1,582,215 | 1,768,676 |
| Finance costs | (1,508,614) | (1,329,301) |
| Finance income – net | <u>73,601</u> | <u>439,375</u> |
| Profit before income tax | 13,862,453 | 1,097,838 |
| Income tax expense | 11 <u>(2,621,219)</u> | <u>(302,444)</u> |
| Net profit for the period | <u>11,241,234</u> | <u>795,394</u> |

The accompanying notes on pages 273 to 280 are an integral part of this interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

**INTERIM STATEMENT OF INCOME
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011**

| | | Nine months ended | September | September |
|---|-------------|--------------------------|--------------------------|------------------|
| | | 2011 | 2010 | |
| | Note | KHR'000 | KHR'000 | |
| | | (Unaudited) | (Unreviewed) | |
| REVENUES | | | | |
| Sales | | 85,624,905 | 76,129,817 | |
| Other income | | 341,928 | 523,354 | |
| | | <u>85,966,833</u> | <u>76,653,171</u> | |
| EXPENSES | | | | |
| Depreciation and amortisation charges | | (15,772,428) | (15,279,261) | |
| Electricity cost | | (17,461,834) | (16,504,451) | |
| Salaries, wages and related expenses | | (12,203,689) | (12,713,506) | |
| Raw materials for water production | | (3,588,508) | (3,165,770) | |
| Raw materials for household water connections | | (4,038,572) | (2,413,411) | |
| Repairs and maintenance | | (2,210,737) | (1,830,509) | |
| Other operating expenses | | (2,772,058) | (1,211,287) | |
| Foreign exchange gain – net | | 164,449 | 2,669,215 | |
| | | <u>(57,883,377)</u> | <u>(50,448,980)</u> | |
| Operating profit | | 28,083,456 | 26,204,191 | |
| Finance income | | 4,827,159 | 4,952,334 | |
| Finance costs | | <u>(4,101,517)</u> | <u>(3,704,835)</u> | |
| Finance income – net | | 725,642 | 1,247,499 | |
| Profit before income tax | | 28,809,098 | 27,451,690 | |
| Income tax expense | 11 | <u>(5,967,472)</u> | <u>(5,592,046)</u> | |
| Net profit for the period | | <u><u>22,841,626</u></u> | <u><u>21,859,644</u></u> | |

The accompanying notes on pages 273 to 280 are an integral part of this interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

**INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011**

| | Capital KHR'000 | Reserves KHR'000 | Retained earnings KHR'000 | Total KHR'000 |
|---|----------------------------|-----------------------------|--|--------------------------|
| <i>Nine month period ended 30 September 2010 (unreviewed)</i> | | | | |
| Balance as at 1 January 2010 | 456,000,264 | 5,397,331 | 26,933,730 | 488,331,325 |
| Transfer to reserves | - | 26,933,730 | (26,933,730) | - |
| Profit paid to the Royal Government of Cambodia | | (2,693,373) | - | (2,693,373) |
| Distribution of reserves for corporate social activities | - | (576,731) | - | (576,731) |
| Net profit for the period | - | - | 21,859,644 | 21,859,644 |
| Balance as at 30 September 2010 (unreviewed) | <u>456,000,264</u> | <u>29,060,957</u> | <u>21,859,644</u> | <u>506,920,865</u> |
| <i>Nine month period ended 30 September 2011 (unaudited)</i> | | | | |
| Balance as at 1 January 2011 | 456,000,264 | 29,060,957 | 30,506,352 | 515,567,573 |
| Transfer to capital (Note 9) | 9,027,865 | - | - | 9,027,865 |
| Transfer to reserves | - | 30,506,352 | (30,506,352) | - |
| Profit paid to the Royal Government of Cambodia | - | (3,050,635) | - | (3,050,635) |
| Net profit for the period | - | - | 22,841,626 | 22,841,626 |
| Balance as at 30 September 2011 (unaudited) | <u>465,028,129</u> | <u>56,516,674</u> | <u>22,841,626</u> | <u>544,386,429</u> |

The accompanying notes on pages 273 to 280 are an integral part of this interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

**INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011**

| | | Nine months ended | |
|---|-------------|---------------------------|---------------------------|
| | | September 2011 | September 2010 |
| | Note | KHR'000 | KHR'000 |
| | | (Unaudited) | (Unreviewed) |
| Cash flows from operating activities | | | |
| Cash generated from operations | 12 | 48,551,760 | 18,085,390 |
| Interest paid | | (5,033,996) | (4,544,551) |
| Taxation paid | 8 | (3,862,679) | (5,449,697) |
| Retirement benefit obligation paid | 10 | (352,864) | (308,999) |
| Net cash generated from operating activities | | 39,302,221 | 7,782,143 |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | 6 | (81,756,638) | (9,643,491) |
| Purchases of intangible assets | | (99,879) | (219,015) |
| Proceeds from sale of property, plant and equipment | | 323,510 | - |
| Loan repayments received from Pursat Water Supply | | 30,784 | 28,980 |
| Short-term investments | | (8,168,910) | (24,603,837) |
| Interest received | | 3,948,889 | 3,453,118 |
| Net cash used in investing activities | | (85,722,244) | (30,984,245) |
| Cash flows from financing activities | | | |
| Profit paid to the Royal Government of Cambodia | | (3,050,635) | (2,693,373) |
| Distribution of reserves for corporate social activities | | - | (576,731) |
| Proceeds from borrowings | 7 | 59,635,181 | 29,026,877 |
| Repayments of borrowings | 7 | (6,364,889) | (6,243,838) |
| Net cash generated from financing activities | | 50,219,657 | 19,512,935 |
| Net increase/(decrease) in cash and cash equivalents | | 3,799,634 | (3,689,167) |
| Cash and cash equivalents, beginning of the period | | 7,066,752 | 9,257,348 |
| Cash and cash equivalents, end of the period | | 10,866,386 | 5,568,181 |

Non-cash transactions:

- The principal non-cash transaction is the acquisition of property, plant and equipment under government grants amounting to nil (30 September 2010: Riel 900,576,000).
- Conversion from an Agence Française de Développement (“AFD”) and other grants to capital for nine-month period ended 30 September 2011 is Riel 8 billion and Riel 1 billion, respectively (30 September 2010: Riel 900,576,000) (Note 9).

The accompanying notes on pages 273 to 280 are an integral part of this interim financial information.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011

1. GENERAL INFORMATION

Phnom Penh Water Supply Authority (“the Authority”) is a Public Autonomous Institution that is under the technical supervision of the Phnom Penh Municipality and the financial supervision of the Ministry of Economy and Finance (“MoEF”), with its headquarters in Phnom Penh. It has economic appendix status in accordance with Article 26 of Royal Kram 0696/03 dated 17 June 1996, giving it the general status of a public enterprise. Phnom Penh Water Supply Authority is a legal entity with an autonomous administration and financing. Phnom Penh Water Supply Authority was established in accordance with the Sub-decree No. 52 ANKR BK dated 19 December 1996 on the establishment of Phnom Penh Water Supply Authority signed and issued by the then two Prime Ministers of the Royal Government of Cambodia and a Senior Minister and a Minister of Economy and Finance.

The Authority is now under the supervision of the Ministry of Industry, Mines and Energy (“MIME”), rather than the Phnom Penh Municipality, in accordance with Sub-decree No. 14 ANKR BK dated 24 May 2004.

According to the establishing Sub-decree No. 52, the mission of the Authority is to process and distribute water for general use by the public in the city of Phnom Penh. In order to fulfil this mission, the Authority is allowed to carry out operational activities on the property, plant and equipment as well as other necessary commercial and financial operations, such as:

- Production and overall distribution of water within the city of Phnom Penh and its suburbs;
- Expansion, improvement and rehabilitation of the production systems and distribution networks; and
- Doing business with existing and any future water distribution networks.

In accordance with letter No. 802 URT.TS dated 30 November 2004, the MIME agreed to transfer the operations and assets of Takmao Water Authority to be managed by the Authority.

The registered office of the Authority is North of the Cambodia Railway Station, Phnom Penh, Kingdom of Cambodia.

This condensed interim financial information was approved for issue by the Board of Directors on 15 February 2012.

The condensed interim financial information has been reviewed but not audited. The comparative condensed interim financial information was not reviewed or audited.

2. BASIS OF PREPARATION

This condensed interim financial information has been prepared in accordance with Cambodian International Accounting Standard 34, ‘Interim financial reporting’. The condensed interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with Cambodian Accounting Standards.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011**

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except as described below.

Cambodian International Accounting Standard 34, 'Interim financial reporting' prescribes the minimum content of an interim financial report and to prescribe the principles for recognition and measurement in complete or condensed financial statements for an interim period. The standard is effective from 1 January 2012. However, the Authority has early adopted the standard from 1 January 2011 for the purpose of preparing the condensed interim financial information to conform to the requirement of the Securities and Exchange Commission of Cambodia.

Costs that are incurred unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

4. MANAGEMENT ESTIMATES

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

In preparing the condensed interim financial information, the significant judgements made by management in applying the Authority's accounting policies and the key sources for the uncertain estimation were the same as those applied to the financial statements for the year ended 31 December 2010.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Authority's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk.

The interim condensed financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Authority's annual financial statements as at 31 December 2010.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011

6. PROPERTY, PLANT AND EQUIPMENT

| | KHR'000 |
|---|---------------------|
| For the nine month period ended 30 September 2010 (unreviewed) | |
| Opening balance | 537,618,634 |
| Additions | 10,544,067 |
| Disposals | (24,891) |
| Depreciation charges | <u>(15,152,387)</u> |
| Closing net book value (unreviewed) | <u>532,985,423</u> |
| For the nine month period ended 30 September 2011 (unaudited) | |
| Opening balance | 541,321,047 |
| Additions | 81,756,638 |
| Disposals | (5,512) |
| Depreciation charges | <u>(15,604,389)</u> |
| Closing net book value (unaudited) | <u>607,467,784</u> |

The additions during the period ended 30 September 2011 mainly relate to the construction of Niroth water treatment plant.

7. BORROWINGS

| | 30 September 2011 KHR'000 (Unaudited) | 31 December 2010 KHR'000 (Audited) |
|-------------|--|---|
| Non-current | 182,625,737 | 129,255,377 |
| Current | <u>8,658,816</u> | <u>8,758,884</u> |
| | <u>191,284,553</u> | <u>138,014,261</u> |

Movements in borrowings are analysed as follows:

| | KHR'000 |
|--|--------------------|
| Opening amount as at 1 January 2010 | 120,631,876 |
| Additions | 29,026,877 |
| Repayments | <u>(6,243,838)</u> |
| Closing amount as at 30 September 2010 (unreviewed) | <u>143,414,915</u> |
| Opening amount as at 1 January 2011 | 138,014,261 |
| Additions | 59,635,181 |
| Repayments | <u>(6,364,889)</u> |
| Closing amount as at 30 September 2011 (unaudited) | <u>191,284,553</u> |

PHNOM PENH WATER SUPPLY AUTHORITY

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011

7. BORROWINGS (continued)

Borrowings are from MoEF and AFD. Borrowings from MoEF are unsecured, carrying interest ranging from 6.5% to 8.5% per annum, repayable semi-annually ranging from 24 to 34 times. Borrowings from AFD are supported by comfort letters from MoEF and MIME, carrying interest at EURIBOR minus 1.35%, in no case is the rate to be less than 0.25% nor to exceed 5.21%, repayable semi-annually ranging from 16 to 20 times.

8. INCOME TAX RECEIVABLE

| | 30 September 2011 KHR'000 | 30 September 2010 KHR'000 |
|---------------------------------|--|--|
| | (Unaudited) | (Unreviewed) |
| As at 1 January | 1,643,818 | (136,290) |
| Current income tax | (4,817,805) | (2,822,548) |
| Payments made during the period | 3,862,679 | 5,449,697 |
| | <u>688,692</u> | <u>2,490,859</u> |

Income tax receivable mainly represents overpayments of tax to the General Department of Taxation ("GDT") in which the Authority is in the process offsetting taxes that are already verified by the GDT following its audit covering the period up to 2005. Management believes that they will be able to refund or offset these taxes in the future.

9. CAPITAL

In accordance with letter No. 3066 SHV TR issued by the MoEF, which is also the Authority's shareholder, dated 26 May 2011, deferred government and other grants amounting to Riel 9 billion were approved to be transferred to the capital of the Authority.

10. RETIREMENT BENEFIT OBLIGATION

The amounts recognised in the balance sheet were as follows:

| | 30 September 2011 KHR'000 | 31 December 2010 KHR'000 | 30 September 2010 KHR'000 |
|---|--|---|--|
| | (Unaudited) | (Audited) | (Unreviewed) |
| Present value of defined benefit obligation | 21,535,266 | 20,347,816 | 18,355,419 |
| Fair value of plan assets | - | - | - |
| Unfunded status | <u>21,535,266</u> | <u>20,347,816</u> | <u>18,355,419</u> |
| Liability recognised in balance sheet | <u>21,535,266</u> | <u>20,347,816</u> | <u>18,355,419</u> |

PHNOM PENH WATER SUPPLY AUTHORITY

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011**

10. RETIREMENT BENEFIT OBLIGATION (continued)

The movement in the defined benefit obligation over the period was as follows:

| | Nine months ended 30 September 2011 KHR'000 (Unaudited) | Three months ended 30 September 2011 KHR'000 (Unaudited) | Nine months ended 30 September 2010 KHR'000 (Unreviewed) | Three months ended 30 September 2010 KHR'000 (Unreviewed) |
|----------------------|--|---|---|--|
| Opening balance | 20,347,816 | 21,139,450 | 16,363,022 | 18,355,419 |
| Current service cost | 795,019 | 265,006 | 531,364 | 177,121 |
| Interest cost | 745,296 | 248,432 | 693,324 | 231,108 |
| Benefits paid | (352,864) | (117,621) | (308,999) | (103,000) |
| Actuarial loss | - | - | 2,072,907 | 690,970 |
| Closing balance | <u>21,535,267</u> | <u>21,535,267</u> | <u>19,351,618</u> | <u>19,351,618</u> |

The amount recognised within salaries, wages and related expenses in the income statement were as follows:

| | Nine months ended 30 September 2011 KHR'000 (Unaudited) | 30 September 2010 KHR'000 (Unreviewed) |
|----------------------|--|---|
| Current service cost | 795,019 | 531,364 |
| Interest cost | 745,296 | 693,324 |
| Actuarial loss | - | 2,072,907 |
| | <u>1,540,315</u> | <u>3,297,595</u> |

11. INCOME TAX EXPENSE

| | 30 September 2011 KHR'000 (Unaudited) | 30 September 2010 KHR'000 (Unreviewed) |
|---------------------|--|---|
| Current income tax | 4,817,805 | 2,822,548 |
| Deferred income tax | <u>1,149,667</u> | <u>2,769,498</u> |
| | <u>5,967,472</u> | <u>5,592,046</u> |

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2011 is 21% (the estimated tax rate for the nine months ended 30 September 2010 was 20%). The increase is mainly due to the movements in non-deductible expenses.

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**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
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12. CASH FLOWS FROM OPERATIONS

| | Nine months ended | |
|--|------------------------------|------------------------------|
| | 30 September 2011 | 30 September 2010 |
| | KHR'000 | KHR'000 |
| | (Unaudited) | (Unreviewed) |
| Profit before taxation | 28,809,098 | 27,451,690 |
| Adjustments for: | | |
| Depreciation charges (Note 6) | 15,604,389 | 15,152,387 |
| Amortisation charges of intangible assets | 168,039 | 126,874 |
| Amortisation of deferred government grants | (341,928) | (523,354) |
| (Gain)/loss on disposal of property, plant and equipment | (317,998) | 24,891 |
| Interest expenses | 4,101,517 | 3,704,835 |
| Interest income | (4,827,159) | (4,952,334) |
| Retirement benefit obligation expenses | 1,540,314 | 3,297,595 |
| Changes in working capital: | | |
| Inventories | (9,999,382) | (44,772) |
| Trade and other receivables | (190,232) | (23,468,050) |
| Trade and other payables | 11,954,322 | (4,363,825) |
| Refundable water deposits | 2,050,780 | 1,679,453 |
| | 48,551,760 | 18,085,390 |

13. RELATED PARTY TRANSACTIONS

i) Related party balances

| | 30 September 2011 | 31 December 2010 |
|--------------------------------|------------------------------|-----------------------------|
| | KHR'000 | KHR'000 |
| | (Unaudited) | (Audited) |
| • Loans to Pursat Water Supply | 787,631 | 818,415 |
| • Borrowings from the MoEF | 118,337,663 | 76,244,721 |

ii) Compensation

Key management compensation amounted to Riel 661 million for the nine months ended 30 September 2011 (30 September 2010: Riel 611 million). The details are as follows:

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTH PERIOD ENDED 30 SEPTEMBER 2011

13. RELATED PARTY TRANSACTIONS (continued)

ii) Compensation (continued)

| | 30 September 2011 KHR'000 | 30 September 2010 KHR'000 |
|-----------------------------------|--|--|
| | (Unaudited) | (Unreviewed) |
| Salary, fees and related expenses | 644,298 | 599,262 |
| Retirement benefits | 16,798 | 12,160 |
| | 661,096 | 611,422 |

14. SUBSEQUENT EVENTS

Significant events after the balance sheet date are as follows:

- The Authority is currently in initial public offering ("IPO") process and plans to raise the fund from the primary market by the first quarter of 2012. On 15 December 2011, the Authority received an approval on its application for listing eligibility from the Cambodian Securities Exchange. The Authority needs to fulfil certain requirements before they can finally be listed on the Cambodian Securities Exchange. The draft disclosure document to be submitted to the Securities Exchange Commission of Cambodia ("SECC") is approved by the BoD on 15 February 2012.
- On 15 February 2012, the Board of Directors has:
 - a. approved the split of the existing shares of 465,028,129 shares (with par value of KHR 1,000 per share) into 73,927,187 ordinary shares and 391,100,942 Class A shares.
 - b. approved the rights and conditions of each class of shares to be included in the Article of Incorporation.
 - c. approved for 10% of the IPO shares to be reserved for the Authority's employees with the following conditions:
 - i. Only employees who have served the Authority for more than 12 months has the right to purchase shares in which the selling prices are being considered;
 - ii. The lock-up period is three years;
 - iii. All employees at operational level could buy the shares up to a value equivalent to 18 months of their gross salaries. For senior officers, from department heads up to directors, could buy the shares up to a value equivalent to 30 months of their gross salaries.
 - iv. The Authority will provide advance for employees and senior officers for purchasing these shares for three years without interest. On the due date, the advance must be repaid in full to the Authority.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION
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14. SUBSEQUENT EVENTS (continued)

- d. resolved that the dividend policy shall be determined in line with the following criteria of profit allocation:
 - 1. Compensation of losses incurred in previous years;
 - 2. After the compensation of loss, the remaining profit, if any, shall be distributed as following:
 - i. Reward to the management and employees as follows:
 - One month's salary for all employees if the net profit is between 5% and 10% of operating expenses.
 - Two months' salary for all employees if the net profit is between 11% and 20% of operating expenses.
 - Three months' salary for all employees if the net profit is more than 21% of operating expenses.
 - ii. 2% for retirement benefits and profession disabilities;
 - iii. 5% for Legal Reserve;
 - iv. 5% for Free Reserve;
 - v. 5% for Social Fund which shall be recorded as expenses in the year of transaction.
 - 3. The remaining amount after the above allocation shall be allocated to:
 - i. Reserve for future investments (retained earnings) which is subject to the BoD's approval.
 - ii. The remaining balance after investment reserve is allocated 85% for MoEF and 15% for the public investors.