Registration No:
INV -1076KH/2006

PHNOM PENH SEZ PLC.
(INCORPORATED IN CAMBODIA)

AUDITED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
31 DECEMBER 2017

Registration No:
INV -1076KH/2006

PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

CORPORATE INFORMATION

DIRECTORS:	Lok Chumteav Oknha Lim Chhiv Ho Hiroshi Uematsu Tan Kak Khun Tan Soeun Muoy Hiroshi Otsubo Kenji Toyota Hem Sovath Kang Wei Geih Tanate Piriyothinkul
REGISTERED OFFICE:	Phnom Penh Special Economic Zone National Road 4, Sangkat Kantouk Khan Posenchey Phnom Penh Kingdom of Cambodia
PRINCIPAL BANKERS:	Cambodian Public Bank Plc. Canadia Bank Plc. ANZ Royal Bank (Cambodia) Ltd. Maybank (Cambodia) Plc. Phnom Penh Commercial Bank Mega International Commercial Bank CIMB Bank Plc. ACLEDA Bank Plc. Microfinance Institution “Amret” ICBC Bank First Commercial Bank
AUDITORS:	BDO (Cambodia) Limited

Registration No:
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(Incorporated in Cambodia)

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PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal activities

The principal activities of the Company are to establish, develop and operate the Special Economic Zone in Phnom Penh and to engage in other related commercial activities. The principal activities of the subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results of operations

	Group US$	Company US$
Profit for the financial year	1,680,859	2,141,740
(KHR'000 equivalent)	*6,785,628*	*8,646,204*

Dividend

Dividend paid since the end of the previous financial year was as follows:

	Group and Company US$
In respect of financial year ended 31 December 2016:	
First and final dividend of US$0.005 per ordinary share, paid on 12 June 2017	289,134
(KHR'000 equivalent)	*1,167,234*

Reserves and provisions

There were no material transfers to or from reserves or provisions during the current financial year.

Bad and doubtful debts

Before the statements of profit or loss and other comprehensive income and statements of financial position were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that there were no known bad debts and that allowance need not be made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render it necessary to write off bad debts or to make allowance for doubtful debts in the financial statements of the Group and the Company.

Current assets

Before the statements of profit or loss and other comprehensive income and statements of financial position were made out, the Directors took reasonable steps to ensure that for any current assets which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and the Company have been written down to an amount expected if realised.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Valuation methods

At the date of this report, the Directors are not aware of any circumstances, which have arisen and which may render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

Contingent and other liabilities

At the date of this report, there does not exist:

(i) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or

(ii) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and the Company to meet its obligations when they fall due.

Change of circumstances

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or in the financial statements of the Group and the Company, which would render any amount stated in the financial statements as misleading.

Items of a material and unusual nature

The results of the operations of the Group and the Company during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and the Company for the financial year for which this report is made.

Share capital

The newly issued shares rank pari passu in all respects with the existing shares of the Company. There were no other issues of shares during the financial year.

No option to take up unissued shares in the Company was granted during the financial year and there were no shares under options at the end of the financial year in respect of shares in the Company.

Directors

The Directors who have held for office since the date of the last report are:

Lok Chumteav Oknha Lim Chhiv Ho
Hiroshi Uematsu
Tan Kak Khun
Tan Soeun Muoy
Hiroshi Otsubo
Kenji Toyota
Hem Sovath
Kang Wei Geih
Tanate Piriyothinkul

PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Directors' benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling the Directors of the Group and of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate body.

Since the end of the previous financial year, the Directors have not received or become entitled to receive any benefit by reason of a contract made by of the Group and of the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for any benefit which may be deemed to have arisen by virtue of those transactions as disclosed in Note 28 to the financial statements.

Directors' responsibility in respect of the financial statements

The Directors are responsible to ascertain that the financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the financial year then ended. In preparing these financial statements, the Directors are required to:

(a) adopt appropriate accounting policies which are supported by reasonable judgements and estimates and then apply them consistently;

(b) comply with the disclosure requirements of the Cambodian International Financial Reporting Standards ("CIFRSs") or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;

(c) maintain adequate accounting records and an effective system of internal controls;

(d) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Group and the Company will continue its operations in the foreseeable future; and

(e) control and direct effectively the Group and the Company in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the financial statements.

The Directors confirm that they have complied with the above requirements in preparing the financial statements
.

Significant events during the financial year

The significant events during the financial year are disclosed in Note 32 to the financial statements.

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PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Statement by the Directors

In the opinion of the Directors, the financial statements set out on pages 10 to 64 have been drawn up in accordance with Cambodian International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board,

Tan Soeun Muoy	**Hiroshi Uematsu**
Director	Director

Phnom Penh, Cambodia
Date: 23 March 2018

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313 Sisowath Quay
Phnom Penh
Kingdom of Cambodia

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)
(Registration No: INV - 1076KH/2006)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Phnom Penh SEZ Plc., which comprise statements of financial position of the Group and of the Company as at 31 December 2017, and statement of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 64.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the financial year then ended in accordance with Cambodian International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(a) Recoverability of trade receivables

As at 31 December 2017, trade receivables that had been past due but not impaired was US$1,656,495 of which the major component is owing by related parties. The details of trade receivables and its credit risk have been disclosed in Note 12 to the financial statements.

Management determines impairment losses on trade receivables based on specific known facts or circumstances or abilities of customers to pay.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)
(Registration No: INV – 1076KH/2006) (continued)

Key Audit Matters (continued)

(a) Recoverability of trade receivables (continued)

The determination of whether trade receivables are recoverable involves significant management judgement due to the inherent subjectivity involved in making judgements in relation to credit risk exposures of individual customers.

Audit response

We have performed the following audit procedures:

- evaluated the process in place to assess and manage the recoverability of trade receivables by the management;
- considered policy of management for impairment losses against aged trade receivables and whether this had been consistently applied over the period;
- determined that the ageing of trade receivables was accurately stated; and
- assessed evidences of management that no impairment loss was required based on analysis of customer creditworthiness, past historical repayment trends and expectation of repayment patterns.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)
(Registration No: INV - 1076KH/2006) (continued)

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)
(Registration No: INV - 1076KH/2006) (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and of the Company to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as going concerns.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)
(Registration No: INV - 1076KH/2006) (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO (CAMBODIA) LIMITED

Lim Seng Siew
Partner

BDO (Cambodia) Limited
Certified Public Accountants

Phnom Penh, Cambodia
Date: 23 March 2018

PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group			Company		
		2017		2016	2017		2016
		US$	KHR'000	US$	US$	KHR'000	US$
ASSETS							
Non-current assets							
Property, plant and equipment	7	13,598,128	54,895,643	14,774,787	13,295,090	53,672,278	14,611,748
Investment properties	8	3,839,723	15,500,962	3,672,879	3,839,723	15,500,962	3,672,879
Investments in subsidiaries	9	-	-	-	5,605,000	22,627,385	5,005,000
Investments in associates	10	8,828,971	35,642,556	8,491,792	8,828,521	35,640,739	8,491,792
		26,266,822	106,039,161	26,939,458	31,568,334	127,441,364	31,781,419
Current assets							
Inventories	11	18,691,653	75,458,203	17,158,892	8,687,491	35,071,401	7,612,482
Trade and other receivables	12	10,078,511	40,686,949	9,647,903	15,717,790	63,452,718	14,393,131
Cash and bank balances	13	2,521,105	10,177,701	2,411,748	2,128,523	8,592,847	2,383,016
		31,291,269	126,322,853	29,218,543	26,533,804	107,116,966	24,388,629
TOTAL ASSETS		57,558,091	232,362,014	56,158,001	58,102,138	234,558,330	56,170,048
EQUITY AND LIABILITIES							
Equity							
Share capital	14	28,937,500	116,820,688	28,937,500	28,937,500	116,820,688	28,937,500
Share premium	15	1,723,543	6,957,943	1,723,543	1,723,543	6,957,943	1,723,543
Retained earnings		7,020,299	28,340,947	5,581,183	7,743,504	31,260,526	5,890,898
		37,681,342	152,119,578	36,242,226	38,404,547	155,039,157	36,551,941
Non-controlling interests		352,609	1,423,482	-	-	-	-
TOTAL EQUITY		38,033,951	153,543,060	36,242,226	38,404,547	155,039,157	36,551,941
Non-current liabilities							
Borrowings	17	5,475,080	22,102,898	3,231,242	5,475,080	22,102,898	3,231,242
Deferred revenue	18	10,412,000	42,033,244	10,960,000	10,412,000	42,033,244	10,960,000
		15,887,080	64,136,142	14,191,242	15,887,080	64,136,142	14,191,242

PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (continued)

		Group			Company		
		2017		2016	2017		2016
		US$	KHR'000	US$	US$	KHR'000	US$
LIABILITIES (continued)							
Current liabilities							
Borrowings	17	2,034,611	8,213,725	3,790,883	2,034,611	8,213,725	3,790,883
Deferred revenue	18	548,000	2,212,276	548,000	548,000	2,212,276	548,000
Trade and other payables	19	1,054,060	4,255,241	1,385,354	1,227,900	4,957,030	1,087,982
Current tax liabilities		389	1,570	296	-	-	-
		3,637,060	14,682,812	5,724,533	3,810,511	15,383,031	5,426,865
TOTAL LIABILITIES		19,524,140	78,818,954	19,915,775	19,697,591	79,519,173	19,618,107
TOTAL EQUITY AND LIABILITIES		57,558,091	232,362,014	56,158,001	58,102,138	234,558,330	56,170,048

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

Registration No:
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PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group			Company		
		2017		2016	2017		2016
		US$	KHR'000	US$	US$	KHR'000	US$
Revenue	20	9,135,901	36,881,632	9,460,107	8,777,118	35,433,225	9,200,740
Cost of sales and services	21	(2,600,487)	(10,498,166)	(2,878,611)	(2,263,907)	(9,139,393)	(2,656,401)
Gross profit		6,535,414	26,383,466	6,581,496	6,513,211	26,293,832	6,544,339
Other income	22	174,294	703,625	24,652	100,180	404,427	24,644
General and administrative expenses	23	(4,558,034)	(18,400,783)	(4,577,677)	(4,018,024)	(16,220,763)	(4,444,261)
Finance costs	24	(688,064)	(2,777,714)	(699,874)	(688,064)	(2,777,714)	(699,874)
Share of profit of associates		485,186	1,958,696	330,232	485,186	1,958,696	330,232
Profit before tax		1,948,796	7,867,290	1,658,829	2,392,489	9,658,478	1,755,080
Tax expense	25	(267,937)	(1,081,662)	(213,157)	(250,749)	(1,012,274)	(209,749)
Profit for the financial year		1,680,859	6,785,628	1,445,672	2,141,740	8,646,204	1,545,331
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income for the financial year		1,680,859	6,785,628	1,445,672	2,141,740	8,646,204	1,545,331
Profit attributable to:							
Owners of the parent		1,728,250	6,976,945	1,445,672			
Non-controlling interests		(47,391)	(191,317)	-			
		1,680,859	6,785,628	1,445,672			
Total comprehensive income attributable to:							
Owners of the parent		1,728,250	6,976,945	1,445,672			
Non-controlling interests		(47,391)	(191,317)	-			
		1,680,859	6,785,628	1,445,672			
Earnings per share	16						
Basic		0.029	0.117	0.025			
Diluted		0.029	0.117	0.025			

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

PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Share capital US$	Share premium US$	Retained earnings US$	Non-controlling interests US$	Total US$
Group						
Balance as at 1 January 2016		**23,150,000**	-	**4,135,511**	-	**27,285,511**
Profit for the financial year, representing total comprehensive income		-	-	1,445,672	-	1,445,672
Transaction with owners						
Bonus issue	14	5,787,500	1,723,543	-	-	7,511,043
Balance as at 31 December 2016/ 1 January 2017		**28,937,500**	**1,723,543**	**5,581,183**	-	**36,242,226**
Profit for the financial year, representing total comprehensive income		-	-	1,728,250	(47,391)	1,680,859
Transaction with owners						
Ordinary shares contributed by non-controlling interests of a subsidiary		-	-	-	400,000	400,000
Dividend paid	26	-	-	(289,134)	-	(289,134)
Balance as at 31 December 2017		**28,937,500**	**1,723,543**	**7,020,299**	**352,609**	**38,033,951**
(KHR'000 equivalent)		*116,820,688*	*6,957,943*	*28,340,947*	*1,423,482*	*153,543,060*

PHNOM PENH SEZ PLC.
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STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (continued)

	Note	Share capital US$	Share premium US$	Retained earnings US$	Total US$
Company					
Balance as at 1 January 2016		**23,150,000**	**-**	**4,345,567**	**27,495,567**
Profit for the financial year, representing total comprehensive income		-	-	1,545,331	1,545,331
Transaction with owners					
Bonus issue	14	5,787,500	1,723,543	-	7,511,043
Balance as at 31 December 2016/ 1 January 2017		**28,937,500**	**1,723,543**	**5,890,898**	**36,551,941**
Profit for the financial year, representing total comprehensive income		-	-	2,141,740	2,141,740
Transaction with owners					
Dividend paid	26	-	-	(289,134)	(289,134)
Balance as at 31 December 2017		**28,937,500**	**1,723,543**	**7,743,504**	**38,404,547**
(KHR'000 equivalent)		*116,820,688*	*6,957,943*	*31,260,526*	*155,039,157*

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

PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group			Company		
		2017		2016	2017		2016
		US$	KHR'000	US$	US$	KHR'000	US$
Cash flows from operating activities							
Profit before tax		1,948,796	7,867,290	1,658,829	2,392,489	9,658,478	1,755,080
Adjustments for:							
Depreciation of:							
- property, plant and equipment	7	1,077,854	4,351,297	1,033,038	1,067,444	4,309,271	1,030,245
- investment properties	8	230,228	929,430	228,382	230,228	929,430	228,382
Deferred revenue		(548,000)	(2,212,276)	(548,000)	(548,000)	(2,212,276)	(548,000)
Impairment loss on investment		35,407	142,938	-	35,407	142,938	-
Interest income		(15,876)	(64,091)	(5,370)	(15,876)	(64,091)	(5,370)
Interest expense	24	688,064	2,777,714	699,874	688,064	2,777,714	699,874
Property, plant and equipment written off		852	3,440	-	852	3,440	-
Share of profit of associates		(370,186)	(1,494,441)	(330,232)	(370,186)	(1,494,441)	(330,232)
Operating profit before changes in working capital		3,047,139	12,301,301	2,736,521	3,480,422	14,050,463	2,829,979
Changes in working capital							
Inventories		(870,908)	(3,515,855)	(4,021,839)	(423,827)	(1,710,990)	146,053
Trade and other receivables		(76,267)	(307,890)	(828,385)	6,394	25,813	(653,011)
Trade and other payables		(447,682)	(1,807,293)	(384,174)	(350,481)	(1,414,891)	(389,396)
Cash generated from/ (used in) operations		1,652,282	6,670,263	(2,497,877)	2,712,508	10,950,395	1,933,625
Tax paid		(267,844)	(1,081,286)	(216,430)	(250,749)	(1,012,274)	(209,749)
Interest paid		(651,528)	(2,630,219)	(670,303)	(681,099)	(2,749,597)	(670,303)
Net cash from/(used in) operating activities		732,910	2,958,758	(3,384,610)	1,780,660	7,188,524	1,053,573
Cash flows from investing activities							
Purchase of property, plant and equipment	7	(910,310)	(3,674,921)	(2,191,493)	(749,230)	(3,024,642)	(2,030,510)
Purchase of investment properties	8	(50,662)	(204,522)	-	(50,662)	(204,522)	-
Interest received		15,876	64,091	5,370	15,876	64,091	5,370
Net repayments (to)/from related parties		(5,238)	(21,146)	(441,083)	14,591	58,904	(729,210)
Net repayments from/(to) associates		129,166	521,443	(14,683)	129,166	521,443	(14,683)

PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (continued)

	Note	Group			Company		
		2017		2016	2017		2016
		US$	KHR'000	US$	US$	KHR'000	US$
Cash flows from investing activities (continued)							
Advances from/(to) Directors		1,813	7,319	(310,000)	(619)	(2,499)	(310,000)
Net repayments to shareholder		(230)	(928)	-	(502)	(2,026)	-
Net advances to subsidiaries		-	-	-	(990,255)	(3,997,659)	(4,315,575)
Investments in associates		(2,400)	(9,689)	-	(1,950)	(7,872)	-
Investment in a subsidiary		-	-	-	(600,000)	(2,422,200)	-
Net cash used in investing activities		(821,985)	(3,318,353)	(2,951,889)	(2,233,585)	(9,016,982)	(7,394,608)
Cash flows from financing activities							
Proceeds from issuance of ordinary shares	14	-	-	8,125,302	-	-	8,125,302
Payments of listing expenses		-	-	(614,259)	-	-	(614,259)
Dividend paid	26	(289,134)	(1,167,234)	-	(289,134)	(1,167,234)	-
Repayments of borrowings		(4,176,059)	(16,858,750)	(1,178,500)	(4,176,059)	(16,858,750)	(1,178,500)
Drawdown of borrowings		4,663,625	18,827,053	2,050,000	4,663,625	18,827,053	2,050,000
Net cash from financing activities		198,432	801,069	8,382,543	198,432	801,069	8,382,543
Net increase/(decrease) in cash and cash equivalents		109,357	441,474	2,046,044	(254,493)	(1,027,389)	2,041,508
Cash and cash equivalents at beginning of financial year		2,411,748	9,736,227	365,704	2,383,016	9,620,236	341,508
Cash and cash equivalents at end of financial year	13	2,521,105	10,177,701	2,411,748	2,128,523	8,592,847	2,383,016

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings (Note 17) US$
At 1 January 2017	7,022,125
Cash flows	487,566
At 31 December 2017	7,509,691

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2017

1. CORPORATE INFORMATION

The Company was registered on 10 May 2006 as a private limited company in the Kingdom of Cambodia. Subsequently, on 7 July 2015, the Company was converted to a public limited company. The Company was listed in the Cambodian Securities Exchange on 30 May 2016.

The registered office and principal place of business of the Company is located at Phnom Penh Special Economic Zone, National Road 4, Sangkat Kantouk, Khan Posenchey, Phnom Penh, Kingdom of Cambodia.

The consolidated financial statements comprise the Company and its subsidiaries and the interests of the Group in associates. The financial statements are presented in United States Dollar ("US$"), which is also the Company's functional currency. Additional disclosures are also made on certain items in Khmer Riel ("KHR") to meet the requirement of certain authorities in Cambodia.

The financial statements were authorised for issue by the Board of the Directors on 23 March 2018.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company are to establish, develop and operate the Special Economic Zone in Phnom Penh and to engage in other related commercial activities. The principal activities of the subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Cambodian International Financial Reporting Standards ("CIFRSs") as issued by the National Accounting Council of the Ministry of Economy and Finance.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The accounting policies adopted are consistent with those of the previous financial year except for the effects, if any, of the adoption of new amendments to CIFRSs during the financial year. The amendments adopted during the financial year are disclosed in Note 5 to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with CIFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.1 Basis of accounting (continued)

Translations to Khmer Riel ("KHR") are presented in the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the notes to the financial statements as at and for the financial year ended 31December 2017 of the Group and of the Company using the official rate of exchange regulated by National Bank of Cambodia as at the reporting date, which was US$1 = KHR4,037 (2016: KHR4,037). Such translation amounts should not be construed as representations that the US$ amounts represent, or have been, or could be converted into KHR at that or any other rate.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

(a) Power over the investee;

(b) Exposure, or rights, to variable returns from its involvement with the investee; and

(c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) The contractual arrangement with the other vote holders of the investee;

(b) Rights arising from other contractual agreements; and

(c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiary is consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

(i) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and

(ii) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under CIAS 39 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

4.3 Business combinations

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

(a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with CIAS 12 *Income Taxes* and CIAS 19 *Employee Benefits* respectively;

(b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with CIFRS 2 *Share-based Payment* at the acquisition date; and

(c) Assets (or disposal groups) that are classified as held for sale in accordance with CIFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the serviced are received.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Business combinations(continued)

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

(a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.

(b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of CIAS 39 are recognised either in profit or loss or in other comprehensive income in accordance with CIAS 39. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at fair value. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by CIFRSs. The choice of measurement basis is made on an combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

4.4 Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment (continued)

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods are as follows:

Building and infrastructure	20 years
Machinery	10 years
Motor vehicles, equipment and computers	3 - 5 years

Freehold land has unlimited useful life and is not depreciated. Construction-in-progress represents renovation-in-progress and is stated at cost. Construction-in-progress is not depreciated until such time when the asset is available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.8 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at each financial period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4.5 Investment properties

Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Group. Investment properties also include properties that are being constructed or developed for future use as investment properties. Investment properties are initially measured at cost, including transaction costs, less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the carrying amount of the investment properties or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of investment properties are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the investment properties are acquired, if applicable.

After initial recognition, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the investment properties to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods for the investment properties ranges between 20 and 50 years.

At the end of each reporting period, the carrying amount of an item of the investment properties are assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.8 to the financial statements on impairment of non-financial assets).

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Investment properties (continued)

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the investment properties. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

4.6 Investments

(a) Subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with CIFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with CIFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

(b) Associates

An associate is an entity over which the Group and the Company have significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is neither control nor joint control over those policies.

An investment in associate is accounted for in the financial statements using the equity method of accounting. The investment in associate in the statement of financial position is initially recognised at cost and adjusted thereafter for the post acquisition change in the Group’s share of net assets of the investments.

The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long term interest that, in substance, form part of the Group’s net investment in the associate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Investments (continued)

(b) Associates (continued)

The Group's share of the profit or loss of the associate during the financial year is included in the financial statements, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. Distributions received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount could also be necessary for changes in the Group's proportionate interest in the associate arising from changes in the associate's equity that have not been recognised in the associate's profit or loss. Such changes include those arising from the revaluation of property, plant and equipment and from foreign exchange translation differences. The Group's share of those changes is recognised directly in equity of the Group.

Unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate to the extent that there is no impairment.

When the Group's share of losses in the associate equals to or exceeds its interest in the associate, the carrying amount of that interest is reduced to nil and the Group does not recognise further losses unless it has incurred legal or constructive obligations or made payments on its behalf.

The most recent available financial statements of the associate are used by the Group in applying the equity method. When the end of the reporting periods of the financial statements are not coterminous, the share of results is arrived at using the latest audited financial statements for which the difference in end of the reporting periods is no more than three months. Adjustments are made for the effects of any significant transactions or events that occur between the intervening periods.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the interest of the Group in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Upon disposal of an investment in associate, the difference between the net disposal proceeds and its carrying amount is included in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Inventories

Inventories mainly represent land held for sale, which are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average basis. The cost comprises all costs of purchase, infrastructure costs, cost of conversion plus other related costs.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sales.

The land held for sale is available for immediate sale in their present condition and will be recovered principally through a sale transaction rather than through continuing use.

4.8 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries and associates) and inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to reduce the carrying amount of the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

4.9 Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

(a) Financial assets

A financial asset is classified into the following four categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Held-to-maturity investments (continued)

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

Cash and cash equivalents consist of cash on hand, bank balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

(a) Financial assets (continued)

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of directors.

4.11 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

(a) Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivables, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables is reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

4.12 Income taxes

Income taxes include all taxes on taxable profit. Taxes in the statement of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws and include all taxes based upon the taxable profits.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Income taxes (continued)

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes related to the same taxation authority on either:

(i) The same taxable entity; or

(ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amount of deferred liabilities or assets are expected to be settled or recovered.

Deferred tax will be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply for the period when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

4.13 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision will be reversed.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Provisions (continued)

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.14 Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group and the Company do not recognise a contingent liability but discloses its existence in the financial statements.

4.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met, as follows:

(a) Sale of land

Revenue from sale of land is recognised when significant risk and rewards of ownership of the land are transferred to the buyer and the amount of the revenue can be measured reliably.

(b) Services

Revenue from services is mainly in respect of the provision of maintenance services, utilities, use of transmission lines and security services, which is recognised when the services are rendered.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

(d) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(e) Rental income

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease. The aggregated cost of incentives provided to the lessee is recognised as reduction of rental income over the lease term on a straight line basis.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Termination benefits

Termination benefits are payments due to employees as a result of the termination of employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are recognised as a liability and an expense when the Group has a detailed formal plan for termination with no realistic possibility of withdrawal. In the case of voluntary redundancy, the benefits are accounted for based on the number of employees expected to accept the offer.

Where termination benefits fall due more than 12 months after the end of reporting period, they are discounted to present value based on market yields at the end of reporting period.

4.17 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The national currency of Cambodia is Khmer Riel ("KHR"). However, as the Group transacts its business and maintains its accounting records primarily in United States Dollar ("US$"), management have determined United States Dollar to be the Company's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Group.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into functional currency at rate of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.19 Fair value measurements

The fair value of an asset or a liability, except for lease transactions is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

(a) The condition and location of the asset; and

(b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

(a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and

(b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

5. ADOPTION OF NEW CIFRSs

5.1 New CIFRSs adopted during the financial year

The Group and Company adopted the following amendments during the financial year.

	Effective Date
Amendments to CIAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Amendments to CIFRS 7 *Disclosure Initiative*	1 January 2017
Amendments to CIFRS 12 *Annual Improvements to CIFRS Standards 2014 - 2016 Cycle*	1 January 2017

There is no material impact upon the adoption of the above amendments during the financial year.

5.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The following are accounting standards, amendments and interpretation that have been issued but have not been early adopted by the Group and the Company.

	Effective Date
Amendments to CIFRS 1 *Annual Improvements to IFRS Standards 2014 - 2016 Cycle*	1 January 2018
CIFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to CIFRS 15	1 January 2018
CIFRS 9 *Financial Instruments (issued by IASB in July 2014)*	1 January 2018
Amendments to CIFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to CIAS 28 *Annual Improvements to CIFRS Standards 2014 - 2016 Cycle*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to CIAS 40 *Transfers of Investment Property*	1 January 2018
Amendments to CIFRS 4 *Applying CIFRS 9 Financial Instruments with CIFRS 4 Insurance Contracts*	See CIFRS 4 Paragraphs 46 and 48
CIFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to CIAS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to CIFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
CIFRS 17 *Insurance Contracts*	1 January 2021
Amendments to CIFRS 10 and CIAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

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

5. ADOPTION OF NEW CIFRSs (continued)

5.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (continued)

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

Amendments to CIFRS 1 *Annual Improvements to IFRS Standards 2014 - 2016 Cycle*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to CIFRS 1 *First-time Adoption of International Financial Reporting Standards*, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

CIFRS 15 *Revenue from Contracts with Customers*

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. CIFRS 15 supersedes existing revenue recognition guidance including CIAS 18 *Revenue*, CIAS 11 *Construction Contracts* and related interpretations.

CIFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

CIFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under CIFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Clarification to CIFRS 15

The amendments to CIFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

CIFRS 9 *Financial Instruments (issued by IASB in July 2014)*

CIFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("FVTOCI") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss ("FVTPL").

CIFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in CIAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

5. ADOPTION OF NEW CIFRSs (continued)

5.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (continued)

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

CIFRS 9 *Financial Instruments (issued by IASB in July 2014)* (continued)

CIFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from CIAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, CIFRS 9 retains the requirements in CIAS 39 for derecognition of financial assets and financial liabilities.

Amendments to CIFRS 2 *Classification and Measurement of Share-based Payment Transactions*

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

Amendments to CIAS 28 *Annual Improvements to CIFRS Standards 2014 - 2016 Cycle*

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to CIAS 28 *Investments in Associates and Joint Ventures* clarifying that a Venture Capital organisation’s permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretations specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Amendments to CIAS 40 *Transfers of Investment Property*

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

Amendments to CIFRS 4 *Applying CIFRS 9 Financial Instruments with CIFRS 4 Insurance Contracts*

The amendment provides two different solutions for insurance companies: a temporary exemption from CIFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the “overlay approach”. Both approaches are optional.

5. ADOPTION OF NEW CIFRSs (continued)

5.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (continued)

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

<u>CIFRS 16 *Leases*</u>

CIFRS 16, which upon the effective date will supersede CIAS 17 *Leases and related interpretations* introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more 12 months, unless the underlying asset is of low value. Specifically, under CIFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, CIAS 17.

In respect of the lessor accounting, CIFRS 16 substantially carries forward the lessor accounting requirements in CIAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

<u>IC Interpretation 23 *Uncertainty over Income Tax Treatments*</u>

The Interpretation supports the requirements of CIAS 12 *Income Taxes* by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

<u>Amendments to CIAS 28 *Long-term Interests in Associates and Joint Ventures*</u>

The amendments clarify that the companies account for long-term interests in an associate or joint venture, to which equity method is not applied, using CIFRS 9.

<u>Amendments to CIFRS 9 *Prepayment Features with Negative Compensation*</u>

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

5. ADOPTION OF NEW CIFRSs (continued)

5.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (continued)

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

CIFRS 17 *Insurance Contracts*

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

Contracts are measured using the building blocks of:

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

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

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

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

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

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

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

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates 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 Directors are of the opinion that there are no significant changes in estimates during the reporting period end and as at the end of the reporting period.

6.2 Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.2 Critical judgements made in applying accounting policies (continued)

(a) Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on CIAS 40 *Investment Property* in making a judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group would account for the portions separately.

If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(b) Operating lease commitments - the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out as operating leases.

6.3 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment of assets

Property, plant and equipment and investments in subsidiaries and associates are assessed for impairment losses whenever events or changes in circumstances indicate that the carrying amount of these assets may not be fully recoverable. Such assessment requires the Directors to make estimates of the recoverable amounts. Impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the higher of an asset's fair value less cost to sell and its value in use. The Directors believe that the estimates of the recoverable amounts are reasonable.

(b) Depreciation of property, plant and equipment and investment properties

The cost of property, plant and equipment and investment properties is depreciated on a straight-line basis over the assets’ useful lives. Management estimates the useful lives of these property, plant and equipment and investment properties based on historical experience, the expected usage, wear and tear of the assets and technical obsolescence arising from changes in market demands or service output of the assets. Changes in these factors could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.3 Key sources of estimation uncertainty (continued)

(c) Impairment of receivables

The Group determines the adequacy of the impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

(d) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. Sensitivity analysis of the effects of interest rate risk has been disclosed in Note 30 to the financial statements.

(e) Tax expense

Significant judgement is involved in determining the Group's provision for income taxes. The Group will recognise liabilities for expected tax expenses based on an estimate of whether the taxes are due through management's interpretation of the various tax legislations. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the tax provision in the financial year in which such determination is made.

(f) Fair value measurement

The financial and non-financial assets and liabilities that are measured subsequent to initial recognition at fair value are grouped into Level 1 to Level 3 based on the degree to which the fair value inputs are observable.

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
(iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

7. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land US$	Building and infrastruc-ture US$	Machinery US$	Motor vehicles, equipment and computers US$	Construc-tion in progress US$	Total US$
Cost						
Balance at 1.1.2016	-	16,747,544	1,528,075	337,747	344,084	18,957,450
Additions	-	36,215	3,237	40,828	2,111,213	2,191,493
Reclassification	361,765	(361,765)	-	-	-	-
Transfer	-	1,721,450	-	-	(1,721,450)	-
Transfer to investment properties (Note 8)	-	(710,339)	-	-	-	(710,339)
Disposal	-	-	-	(19,625)	-	(19,625)
Balance at 31.12.2016	361,765	17,433,105	1,531,312	358,950	733,847	20,418,979
Additions	-	20,887	-	55,782	833,641	910,310
Transfer	-	-	3,600	-	(3,600)	-
Transfer to investment properties (Note 8)	-	-	-	-	(4,000)	(4,000)
Transfer from/(to) inventories (Note 11)	82,021	-	-	-	(1,086,284)	(1,004,263)
Written off	-	-	(1,050)	(13,603)	-	(14,653)
Balance at 31.12.2017	443,786	17,453,992	1,533,862	401,129	473,604	20,306,373
(KHR'000 equivalent)	*1,791,564*	*70,461,766*	*6,192,201*	*1,619,358*	*1,911,939*	*81,976,828*
Accumulated depreciation						
Balance at 1.1.2016	-	3,861,321	812,217	173,761	-	4,847,299
Additions	-	823,360	149,828	59,850	-	1,033,038
Transfer to investment properties (Note 8)	-	(216,520)	-	-	-	(216,520)
Disposal	-	-	-	(19,625)	-	(19,625)
Balance at 31.12.2016	-	4,468,161	962,045	213,986	-	5,644,192
Depreciation	-	868,421	150,076	59,357	-	1,077,854
Written off	-	-	(438)	(13,363)	-	(13,801)
Balance at 31.12.2017	-	5,336,582	1,111,683	259,980	-	6,708,245
(KHR'000 equivalent)	-	*21,543,782*	*4,487,864*	*1,049,539*	-	*27,081,185*
Carrying amounts						
Balance at 31.12.2017	**443,786**	**12,117,410**	**422,179**	**141,149**	473,604	**13,598,128**
(KHR'000 equivalent)	*1,791,564*	*48,917,984*	*1,704,337*	*569,819*	*1,911,939*	*54,895,643*
Balance at 31.12.2016	361,765	12,964,944	569,267	144,964	733,847	14,774,787

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Freehold land US$	Building and infrastruc-ture US$	Machinery US$	Motor vehicles, equipment and computers US$	Construc-tion in progress US$	Total US$
Cost						
Balance at 1.1.2016	-	16,747,544	1,528,075	329,867	344,084	18,949,570
Additions	-	17,135	3,237	32,157	1,977,981	2,030,510
Reclassification	361,765	(361,765)	-	-	-	-
Transfer	-	1,721,450	-	-	(1,721,450)	-
Transfer to investment properties (Note 8)	-	(710,339)	-	-	-	(710,339)
Disposal	-	-	-	(19,625)	-	(19,625)
Balance at 31.12.2016	361,765	17,414,025	1,531,312	342,399	600,615	20,250,116
Additions	-	20,575	-	4,563	724,092	749,230
Transfer	-	-	3,600	-	(3,600)	-
Transfer to investment properties (Note 8)	-	-	-	-	(4,000)	(4,000)
Transfer from/(to) inventories (Note 11)	82,021	-	-	-	(1,075,613)	(993,592)
Written off	-	-	(1,050)	(13,603)	-	(14,653)
Balance at 31.12.2017	443,786	17,434,600	1,533,862	333,359	241,494	19,987,101
(KHR'000 equivalent)	*1,791,564*	*70,383,480*	*6,192,201*	*1,345,770*	*974,911*	*80,687,926*
Accumulated depreciation						
Balance at 1.1.2016	-	3,861,321	812,217	170,730	-	4,844,268
Additions	-	823,280	149,828	57,137	-	1,030,245
Transfer to investment properties (Note 8)	-	(216,520)	-	-	-	(216,520)
Disposal	-	-	-	(19,625)	-	(19,625)
Balance at 31.12.2016	-	4,468,081	962,045	208,242	-	5,638,368
Depreciation	-	867,461	150,076	49,907	-	1,067,444
Written off	-	-	(438)	(13,363)	-	(13,801)
Balance at 31.12.2017	-	5,335,542	1,111,683	244,786	-	6,692,011
(KHR'000 equivalent)	-	*21,539,583*	*4,487,864*	*988,201*	-	*27,015,648*
Carrying amounts						
Balance at 31.12.2017	**443,786**	**12,099,058**	**422,179**	**88,573**	**241,494**	**13,295,090**
(KHR'000 equivalent)	*1,791,564*	*48,843,897*	*1,704,337*	*357,569*	*974,911*	*53,672,278*
Balance at 31.12.2016	361,765	12,945,944	569,267	134,157	600,615	14,611,748

8. INVESTMENT PROPERTIES

Group and Company	Freehold land US$	Buildings US$	Total US$
Cost			
Balance as at 1.1.2016	-	4,087,658	4,087,658
Transfer from property, plant and equipment (Note 7)	-	710,339	710,339
Reclassification	400,368	(400,368)	-
Balance as at 31.12.2016	400,368	4,397,629	4,797,997
Addition	-	50,662	50,662
Transfer from property, plant and equipment (Note 7)	-	4,000	4,000
Transfer from inventories (Note 11)	342,410	-	342,410
Balance as at 31.12.2017	742,778	4,452,291	5,195,069
Accumulated depreciation			
Balance as at 1.1.2016	-	680,216	680,216
Depreciation for the year	-	228,382	228,382
Transfer from property, plant and equipment (Note 7)	-	216,520	216,520
Balance as at 31.12.2016	-	1,125,118	1,125,118
Depreciation for the year	-	230,228	230,228
Balance as at 31.12.2017	-	1,355,346	1,355,346
Carrying amounts			
Balance as at 31.12.2017	**742,778**	**3,096,945**	**3,839,723**
(KHR'000 equivalent)	*2,998,595*	*12,502,367*	*15,500,962*
Balance as at 31.12.2016	400,368	3,272,511	3,672,879
Fair value			
Balance as at 31.12.2017	**5,131,475**	**3,522,877**	**8,654,352**
(KHR'000 equivalent)	*20,715,765*	*14,221,854*	*34,937,619*
Balance as at 31.12.2016	4,789,065	3,468,215	8,257,280

(a) Investment properties comprise a number of commercial properties that are leased to third parties. No contingent rents are charged.

(b) The fair value of investment properties is derived by the Directors based on valuation obtained from a professional valuer and estimation from available market information.

(c) As at 31 December 2017, 4.87 (2016: 1.16) hectares of investment properties with a carrying amount of US$333,824 (2016: US$ 157,599) have been charged to CIMB Bank Plc. and ICBC Bank for credit facilities granted to the Company (Note 17).

9. INVESTMENTS IN SUBSIDIARIES

	Company		
	2017		2016
	US$	KHR'000	US$
Unquoted shares, at cost	5,605,000	22,627,385	5,005,000

The details of the subsidiaries are as follows:

Name	Country of incorporation	Effective interest in equity 2017 %	2016 %	Principal activities
Sahas PPSEZ Co., Ltd.	Cambodia	100	100	Security services
Poi Pet PPSEZ Co., Ltd.	Cambodia	100	100	Establish, develop and operate industrial zone
Sahas E&C Co., Ltd.	Cambodia	60	-	Construction services

Summarised information of Sahas E&C Co., Ltd., is not presented as the non-controlling interests are deemed immaterial to the Group.

10. INVESTMENTS IN ASSOCIATES

	Group		
	2017		2016
	US$	KHR'000	US$
Unquoted shares, at cost	6,750,000	27,249,750	6,750,000
Additions	2,400	9,689	-
Share of post-acquisition reserves, net of dividend received	3,511,978	14,177,855	3,141,792
Less: Impairment loss	(1,435,407)	(5,794,738)	(1,400,000)
	8,828,971	35,642,556	8,491,792

	Company		
	2017		2016
	US$	KHR'000	US$
Unquoted shares, at cost	6,750,000	27,249,750	6,750,000
Addition	1,950	7,872	-
Share of post-acquisition reserves, net of dividend received	3,511,978	14,177,855	3,141,792
Less: Impairment loss	(1,435,407)	(5,794,738)	(1,400,000)
	8,828,521	35,640,739	8,491,792

10. INVESTMENTS IN ASSOCIATES (continued)

The details of the associates are as follows:

Name	Country of incorporation	Effective interest in equity 2017 %	2016 %	Principal activities
Associates of Phnom Penh SEZ Plc				
Colben Energy (Cambodia) PPSEZ Limited	Cambodia	51	51	Supply electricity
Bok Seng PPSEZ Dry Port Co., Ltd.*	Cambodia	40	40	Dry port
Sahas Advisory & Consultant Co., Ltd.*	Cambodia	39	-	Advisory and consultant services
Associate of Poi Pet PPSEZ Co., Ltd				
B.Grimm Power (Poipet) Co., Ltd.*	Cambodia	45	-	Supply electricity

* Not audited by BDO or BDO member firms

(a) Colben Energy (Cambodia) PPSEZ Limited ("CEZ") has a financial year end of 31 March 2017. In applying the equity method of accounting, the financial statements of CEZ for the financial year ended 31 March 2017 have been used and appropriate adjustments have been made for the effects of significant transactions between 31 March 2017 and 31 December 2017.

(b) The Company entered into a shareholder agreement with Colben Energy Holdings (PPSEZ) Limited ("CEHZ"), a shareholder of CEZ, on 6 October 2008 ("date of agreement") to clarify the matters in relation to the investment in CEZ. As at the date of agreement, CEHZ had injected a total amount of US$8.34 million in the form of a shareholder loan to CEZ. A sum of US$2.4 million out of the total shareholder loan had been converted into equity of CEZ as at the date of agreement. As the same time, the Company subscribed for the equity of CEZ amounting to US$2.55 million. Consequently, the Company and CEHZ hold 51% and 49% of equity interest respectively in CEZ.

Pursuant to the shareholder agreement, CEHZ has the sole discretion right to convert the remaining balance of the shareholder loan of US$5.94 million for 1,186,772 ordinary shares of US$5 each in CEZ. The number of shares to be converted had been subsequently revised to 1,187 ordinary shares following the change in the par value of ordinary shares of CEZ from US$5 per share to US$5,000 per share on 17 June 2009. Thus, CEHZ and the Company shall own 77% and 23% of equity interest respectively in CEZ upon the conversion of the shareholder loan to ordinary shares by CEHZ.

The Company agreed to pledge its entire shareholding in CEZ of approximately US$2.55 million to CEHZ as the collateral security for CEHZ to extend the shareholder loan to CEZ. In addition, the Directors appointed by CEHZ shall have veto rights over all matters arising out of CEZ. Consequently, the Board of Directors of CEZ is mainly dominated by the representatives from CEHZ for all the decisions made and there is no history that the Company is able to vote against any resolution proposed by CEHZ. As such, the Company considers that it does not have control over the investment despite the current equity interest of 51% but the Company still has the power to exercise significant influence and thus, has treated its interest in CEZ as an associate.

10. INVESTMENTS IN ASSOCIATES (continued)

(c) The summarised financial information of the associates are as follows:

	2017 US$	2017 KHR'000	2016 US$
Assets and liabilities			
Non-current assets	46,817,796	189,003,442	48,703,987
Current assets	2,575,161	10,395,925	2,491,412
Non-current liabilities	(27,647,268)	(111,612,021)	(28,713,727)
Current liabilities	(2,770,023)	(11,182,583)	(4,345,438)
	18,975,666	76,604,763	18,136,234
Results			
Revenue	14,960,532	60,395,666	13,131,366
Profit for the financial year	922,950	3,725,947	679,501
Total comprehensive income	922,950	3,725,947	679,501
Cash flows used in operating activities	(1,053,709)	(4,253,821)	(1,110,785)
Cash flows from investing activities	1,034,468	4,176,149	1,087,772
Cash flows from financing activities	5,000	20,185	-
Net decrease in cash and cash equivalents	(14,241)	(57,487)	(23,013)

(d) The reconciliation of net assets of the associates to the carrying amount of the investments in associates is as follows:

	Group and Company		
	2017 US$	2017 KHR'000	2016 US$
Share of net assets/Carrying amount in the statement of financial position	8,828,971	35,642,556	8,491,792
Share of results:			
Share of profit	485,186	1,958,696	330,232
Share of other comprehensive income	-	-	-
Share of total comprehensive income	485,186	1,958,696	330,232

11. INVENTORIES

	Group			Company		
	2017		2016	2017		2016
	US$	KHR'000	US$	US$	KHR'000	US$
Balance at beginning of period	17,158,892	69,270,447	13,137,053	7,612,482	30,731,591	7,758,535
Purchased	1,505,196	6,076,477	2,214,624	1,079,558	4,358,176	-
Land improvement	614,882	2,482,279	3,328,751	593,439	2,395,713	1,375,483
Transfer from property, plant and equipment (Note 4)	1,004,263	4,054,210	-	993,592	4,011,131	-
Transfer to investment properties (Note 5)	(342,410)	(1,382,309)	-	(342,410)	(1,382,309)	-
Sold	(1,249,170)	(5,042,901)	(1,521,536)	(1,249,170)	(5,042,901)	(1,521,536)
	18,691,653	75,458,203	17,158,892	8,687,491	35,071,401	7,612,482

The total saleable land area is as follows:

	Group		Company	
	2017	2016	2017	2016
	Hectares	Hectares	Hectares	Hectares
Balance at beginning of period	146	140	80	87
Purchased	9	13	7	-
Adjustment on land	(0.7)	-	(0.7)	-
Transfer to property, plant and equipment	(0.2)	-	(0.2)	-
Transfer to investment properties	(0.7)	-	(0.7)	-
Sold	(9.1)	(7)	(9.1)	(7)
Balance at end of period	144.3	146	76.3	80

44.2 (2016: 67.0) hectares of saleable land with a carrying amount of US$4,596,362 (2016: US$1,148,556) have been pledged to Cambodian Public Bank Plc., CIMB Bank Plc. and First Commercial Bank as security for borrowings (Note 17).

12. TRADE AND OTHER RECEIVABLES

	Group			Company		
	2017		2016	2017		2016
	US$	KHR'000	US$	US$	KHR'000	US$
Trade receivables						
Third parties	20,515	82,819	12,756	-	-	-
Related parties	1,691,870	6,830,079	1,637,757	1,678,890	6,777,679	1,623,000
	1,712,385	6,912,898	1,650,513	1,678,890	6,777,679	1,623,000

12. TRADE AND OTHER RECEIVABLES (continued)

	Group			Company		
	2017		2016	2017		2016
	US$	KHR'000	US$	US$	KHR'000	US$
Other receivables						
Associates	2,638,525	10,651,725	2,736,158	2,638,525	10,651,725	2,736,158
Subsidiaries	-	-	-	6,352,772	25,646,141	4,953,552
Directors	311,371	1,257,005	310,000	311,371	1,257,005	310,000
Related parties	564,561	2,279,133	113,958	142,053	573,468	113,958
Input Value Added Taxes	260,146	1,050,209	493,324	-	-	312,593
Withholding tax credit	1,802,364	7,276,143	1,531,088	1,802,364	7,276,143	1,531,088
Other receivables	201,795	814,646	133,598	208,854	843,144	133,598
	5,778,762	23,328,861	5,318,126	11,455,939	46,247,626	10,090,947
Loans and receivables	7,491,147	30,241,759	6,968,639	13,134,829	53,025,305	11,713,947
Deposits and prepayments						
Deposits	2,460	9,931	2,459	2,380	9,608	2,379
Prepayments	2,584,904	10,435,259	2,676,805	2,580,581	10,417,805	2,676,805
	2,587,364	10,445,190	2,679,264	2,582,961	10,427,413	2,679,184
	10,078,511	40,686,949	9,647,903	15,717,790	63,452,718	14,393,131

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group is one to three months (2016: one to three months). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Non-trade amounts owing by associates, subsidiaries, related parties and Directors are in respect of advances and payments made on behalf, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(c) Included in prepayments is an amount of US$2,222,534 (2016: US$2,222,534) made in relation to land acquisitions.

(d) Trade and other receivables are denominated in US$.

(e) The ageing analysis of trade receivables of the Group and the Company is as follows:

Group	2017		2016
	US$	KHR'000	US$
Neither past due nor impaired	55,890	225,628	21,046
Past due, not impaired			
31 to 60 days	27,674	111,720	3,418
61 to 90 days	3,349	13,520	1,975
91 to 120 days	808	3,261	1,624,074
More than 120 days	1,624,664	6,558,769	-
	1,656,495	6,687,270	1,629,467
Past due and impaired	-	-	-
	1,712,385	6,912,898	1,650,513

12. TRADE AND OTHER RECEIVABLES (continued)

(e) The ageing analysis of trade receivables of the Group and the Company is as follows (continued)

Company	**2017**		**2016**
	US$	**KHR'000**	**US$**
Neither past due nor impaired	55,890	225,628	-
Past due, not impaired			
31 to 60 days	-	-	-
61 to 90 days	-	-	-
91 to 120 days	-	-	-
More than 120 days	1,623,000	6,552,051	1,623,000
	1,623,000	6,552,051	1,623,000
Past due and impaired	-	-	-
	1,678,890	6,777,679	1,623,000

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group and the Company. These customers had maintained good working relationship with the Group and the Company and there is no indication as of the end of reporting period that the debtors will not meet their payment obligations. None of the trade receivables of the Group and the Company that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Owing to the reason that no loss event had occurred to these receivables, such as significant financial difficulties, no impairment was made in respect of these past due trade receivables. These receivables are unsecured in nature.

13. CASH AND BANK BALANCES

	Group			**Company**		
	2017		**2016**	**2017**		**2016**
	US$	**KHR'000**	**US$**	**US$**	**KHR'000**	**US$**
Cash on hand	96,861	391,028	1,078	1,132	4,570	981
Cash at bank	2,424,244	9,786,673	2,410,670	2,127,391	8,588,277	2,382,035
	2,521,105	10,177,701	2,411,748	2,128,523	8,592,847	2,383,016

(a) Cash and bank balances are denominated in US$.

(b) For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and cash at bank.

14. SHARE CAPITAL

	Group and Company			
	2017		2016	
	Number of share of US$0.50 each	US$	Number of share of US$0.50 each	US$
Ordinary shares:				
Registered:				
At 1 January	57,875,000	28,937,500	46,300,000	23,150,000
Created during the current financial year	-	-	11,575,000	5,787,500
	57,875,000	28,937,500	57,875,000	28,937,500
Issued and fully paid:				
Balance as at 1 January	57,875,000	28,937,500	46,300,000	23,150,000
New issue	-	-	11,575,000	5,787,500
Balance as at 31 December	57,875,000	28,937,500	57,875,000	28,937,500
(KHR'000 equivalent)	-	*116,820,688*	-	*116,820,688*

In conjunction with the listing and quotation of the Company's shares on the Cambodia Securities Exchange on 30 May 2016, the Company issued 11,575,000 new ordinary shares of US$0.50 each to the public, at an issue price of KHR2,860 per share. The total proceeds (net of discounts) arising from the listing exercise amounted to US$8,125,302 and listing expenses of US$614,259 had been set off against share premium.

As a consequence of these share issues, the issued and fully paid-up ordinary share capital of the Company was increased to US$28,937,500.

Other than the above, there were no issuances, cancellations, repurchases, resales and repayments of equity securities during the financial year.

15. SHARE PREMIUM

In conjunction with the listing and quotation of the Company's shares on the Cambodia Securities Exchange on 30 May 2016, the Company issued 11,575,000 new ordinary shares of US$0.50 each to the public, at an issue price of KHR2,860 per share.

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

16. EARNINGS PER SHARE

	Group		
	2017		2016
	US$	KHR'000	US$
Profit attributable to ordinary equity holders	1,680,859	6,785,628	1,445,672
Weighted average number of ordinary shares in issue	57,875,000	57,875,000	57,875,000
Basic earnings per share	0.029	0.117	0.025
Diluted earnings per share	0.029	0.117	0.025

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

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

17. BORROWINGS

	Group and Company 2017 US$	2017 KHR'000	2016 US$
Non-current			
Term loan I	264,230	1,066,697	1,141,233
Term loan III	-	-	386,765
Term loan V	1,359,613	5,488,758	1,703,244
Term loan VI	1,300,000	5,248,100	-
Term loan VII	2,551,237	10,299,343	-
	5,475,080	22,102,898	3,231,242
Current			
Term loan I	877,003	3,540,461	793,120
Term loan II	-	-	2,130,000
Term loan III	-	-	23,701
Term loan IV	-	-	497,306
Term loan V	373,379	1,507,331	346,756
Term loan VI	400,000	1,614,800	-
Term loan VII	384,229	1,551,133	-
	2,034,611	8,213,725	3,790,883
	7,509,691	30,316,623	7,022,125

(a) Term loan I - US$4,000,000 term loan from Cambodian Public Bank Plc. This term loan bears interest at a rate of 10% per annum and repayable by monthly installments of U$74,384 commencing one month after full release of loan and further subject to quarterly reduction of US$15,000 with effect three months from the date of drawdown.

Term loan I is secured by a mortgage over the inventories as disclosed in Note 11 to the financial statements, together with personal guarantees from Lok Chumteav Okhna Lim Chhiv Ho, the ultimate controlling party and from Mr. Tan Kak Khun, a Director of the Company.

(b) Term loan II - US$4,500,000 term loan from Phnom Penh Commercial Bank. This term loan bears interest at a rate of 11% per annum and repayable within 6 months commencing 30 June 2014. This loan had been fully settled during the financial year.

(c) Term loan III - US$500,000 term loan from Mega International Commercial Bank Co., Ltd. This term loan bears interest at a rate of LIBOR plus 6.3% per annum and repayable over 84 months commencing 30 June 2017. This loan had been fully settled during the financial year.

(d) Term loan IV - US$800,000 term loan from Mega International Commercial Bank Co., Ltd. This term loan bears interest at a rate of LIBOR plus 6.3% per annum and repayable on 15 February 2017. This loan had been fully settled during the financial year.

(e) Term loan V - US$2,050,000 term loan from CIMB Bank Plc. This term loan bears interest at a rate of 8% per annum and repayable by 60 monthly installments of U$41,687 commencing 1 February 2017. This loan is secured by a mortgage over the investment properties and inventories as disclosed in Note 8 and Note 11 to the financial statements.

17. BORROWINGS (continued)

(f) Term loan VI - US$2,000,000 term loan from ICBC Bank. This term loan bears interest at a rate of 3 months LIBOR plus a margin equal to 700 base points (a base points is equal to 0.01%) and repayable by 60 monthly installments of US$100,000 commencing 21 June 2017. This loan is secured by a mortgage over investment properties as disclosed in Note 8 to the financial statements.

(g) Term loan VII - US$3,200,000 term loan from First Commercial Bank. This term loan comprise two principal amounts of US$1,200,000 and US$2,000,000 and bears interest at a rate of 6 months LIBOR plus 5% to 6.75% and 5.3% to 6.8% per annum respectively and repayable over 84 monthly installments of US$17,965 and US$30,209 respectively commencing 7 April 2017 and 7 July 2017 respectively. This loan is secured by a mortgage over inventories as disclosed in Note 11 to the financial statements.

(h) Information on remaining maturity is disclosed in Note 30 to the financial statements.

(i) Borrowings are denominated in US$.

18. DEFERRED REVENUE

Deferred revenue is in respect of granting the right of use on the transmission lines of the Company to Colben Energy (Cambodia) PPSEZ Limited (“CEZ”) pursuant to the transfer agreement with CEZ on 31 August 2012. The total consideration is amortised on a straight-line basis over the term of 25 years.

19. TRADE AND OTHER PAYABLES

	Group			Company		
	2017		2016	2017		2016
	US$	KHR’000	US$	US$	KHR’000	US$
Trade payable						
Third parties	165,868	669,609	-	-	-	-
Associate	-	-	30,931	-	-	30,931
	165,868	669,609	30,931	-	-	30,931
Other payables						
Associate	31,533	127,300	-	31,533	127,300	-
Subsidiaries	-	-	-	408,965	1,650,991	-
Directors	2,954	11,925	-	250	1,008	-
Related parties	76,981	310,772	317,920	74,307	299,976	31,616
Deposits received from customers	519,144	2,095,784	668,640	519,120	2,095,687	668,640
Output Value Added Taxes	38,153	154,023	2,692	34,293	138,441	-
Other payables	219,427	885,828	365,171	159,432	643,627	356,795
	888,192	3,585,632	1,354,423	1,227,900	4,957,030	1,057,051
	1,054,060	4,255,241	1,385,354	1,227,900	4,957,030	1,087,982

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from one to three months (2016: one to three months).

(b) Non-trade amounts owing associate, subsidiaries, Directors and related parties are in respect of advances and payments made on behalf which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(c) Trade and other payables are denominated in US$.

20. REVENUE

	Group			Company		
	2017		2016	2017		2016
	US$	KHR'000	US$	US$	KHR'000	US$
Sale of land	5,829,452	23,533,498	6,505,277	5,829,452	23,533,498	6,505,277
Services rendered	2,472,129	9,979,985	2,117,792	2,110,346	8,519,467	1,857,225
Rental income	834,320	3,368,149	837,038	837,320	3,380,260	838,238
	9,135,901	36,881,632	9,460,107	8,777,118	35,433,225	9,200,740

21. COST OF SALES AND SERVICES

	Group			Company		
	2017		2016	2017		2016
	US$	KHR'000	US$	US$	KHR'000	US$
Cost of land sold						
Land cost (Note 11)	1,249,170	5,042,901	1,521,536	1,249,170	5,042,901	1,521,536
Other cost	(2,714)	(10,956)	65,639	(2,714)	(10,956)	65,639
	1,246,456	5,031,945	1,587,175	1,246,456	5,031,945	1,587,175
Cost of services rendered	1,123,803	4,536,791	1,063,054	787,223	3,178,018	840,844
Depreciation	230,228	929,430	228,382	230,228	929,430	228,382
	1,354,031	5,466,221	1,291,436	1,017,451	4,107,448	1,069,226
	2,600,487	10,498,166	2,878,611	2,263,907	9,139,393	2,656,401

22. OTHER INCOME

	Group			Company		
	2017		2016	2017		2016
	US$	KHR'000	US$	US$	KHR'000	US$
Interest income	15,876	64,091	5,370	15,876	64,091	5,370
Others	158,418	639,534	19,282	84,304	340,336	19,274
	174,294	703,625	24,652	100,180	404,427	24,644

23. GENERAL AND ADMINISTRATIVE EXPENSES

	Group			Company		
	2017		2016	2017		2016
	US$	KHR'000	US$	US$	KHR'000	US$
Depreciation of property, plant and equipment	1,077,854	4,351,297	1,033,038	1,067,444	4,309,271	1,030,245
Electricity	33,163	133,879	36,145	33,163	133,879	36,145
Impairment loss on investment in an associate	35,407	142,938	-	35,407	142,938	-
Maintenance	358,412	1,446,909	209,736	357,459	1,443,062	208,683
Professional fees	150,771	608,663	502,949	132,910	536,558	483,597
Personnel costs	2,227,331	8,991,735	1,913,359	1,825,919	7,371,235	1,848,434
Selling and marketing expenses	55,330	223,367	62,754	55,312	223,295	62,754
Security services	69,225	279,461	140,448	145,836	588,740	140,448
Withholding tax, fringe benefit and other tax expenses	33,224	134,125	195,048	29,723	119,992	195,048
Others	517,317	2,088,409	484,200	334,851	1,351,793	438,907
	4,558,034	18,400,783	4,577,677	4,018,024	16,220,763	4,444,261

24. FINANCE COSTS

	Group and Company		
	2017		2016
	US$	KHR'000	US$
Interest expense on:			
- term loans	688,064	2,777,714	681,811
- bank overdraft	-	-	18,063
	688,064	2,777,714	699,874

25. TAX EXPENSE

	Group			Company		
	2017		2016	2017		2016
	US$	KHR'000	US$	US$	KHR'000	US$
Income tax expense:						
Current year	266,128	1,074,358	153,178	250,749	1,012,274	149,770
Under provision in prior year	1,809	7,304	59,979	-	-	59,979
	267,937	1,081,662	213,157	250,749	1,012,274	209,749

Under the Law on Taxation, the Company has an obligation to pay tax on profit at 10% (2016: 10%) of taxable profit. The reduction of 10% to the applicable tax rate is an incentive given by the General Department of Taxation for three years from 2016 to 2018. The tax rate will revert to 20% for the financial year ending 31 December 2019.

25. TAX EXPENSE (continued)

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Group and of the Company is as follows:

	Group			Company		
	2017		2016	2017		2016
	US$	KHR'000	US$	US$	KHR'000	US$
Profit before tax	1,948,796	7,867,290	1,658,829	2,392,489	9,658,478	1,755,080
Tax at Cambodian statutory tax rate of 10% (2016: 10%)	194,880	786,729	165,883	239,249	965,848	175,508
Tax effects in respect of:						
Non-allowable expenses	151,031	609,714	119,636	128,255	517,568	117,508
Tax incentives and allowances	(120,254)	(485,466)	(153,759)	(116,755)	(471,342)	(143,246)
Deferred tax asset not recognised during the year	25,092	101,296	21,418	-	-	-
Statutory minimum tax	15,379	62,085	-	-	-	-
	266,128	1,074,358	153,178	250,749	1,012,274	149,770
Under provision of income tax in prior year	1,809	7,304	59,979	-	-	59,979
Total tax expense	267,937	1,081,662	213,157	250,749	1,012,274	209,749

The amount of temporary differences for which no deferred tax asset has been recognised in the statement of financial position of the Group is as follows:

	Group	
	2017	2016
	US$	US$
Unused tax losses		
- Expire by 31 December 2020	70,780	70,780
- Expire by 31 December 2021	107,095	107,095
- Expire by 31 December 2022	250,919	-
	428,794	177,875

Deferred tax asset has not been recognised in respect of this item as it is not probable that taxable profits of the Group would be available against which the deductible temporary differences could be utilised.

The unused tax losses are subject to review and agreement by the General Department of Taxation.

26. DIVIDEND

	Group and Company			
	2017		2016	
	Dividend per share US$	Amount of dividend US$	Dividend per share US$	Amount of dividend US$
First and final dividend paid	0.005	289,134	-	-
(KHR'000 equivalent)	*0.020*	*1,167,234*	-	-

27. OPERATING LEASE COMMITMENTS

The Group as lessor

The Group and the Company have entered into lease arrangements on its investment properties and have aggregate future minimum lease receivables as at the end of the reporting period, as follows:

	Group and Company		
	2017		2016
	US$	KHR'000	US$
Not later than one year	475,416	1,919,254	632,400
Later than one year and not later than five years	236,167	953,406	638,200
	711,583	2,872,660	1,270,600

28. RELATED PARTY DISCLOSURES

(a) Parties are considered related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties can be individuals or other parties.

Key management personnel comprises persons (including the Directors of the Group) having the authority and responsibility for planning, directing and controlling the activities of the Group directly and indirectly.

(b) The Group and the Company had the following transactions with related parties during the financial year.

	Group			Company		
	2017		2016	2017		2016
	US$	KHR'000	US$	US$	KHR'000	US$
Associates						
Colben Energy (Cambodia) PPSEZ Limited						
Advances provided	(11,219)	(45,291)	(1,891)	(11,219)	(45,291)	(1,891)
Utility charged	8,259	33,342	15,570	8,259	33,342	15,570
Security services charged	4,652	18,780	6,237	-	-	-
Repayments received	131,845	532,258	-	131,845	532,258	-
Purchase of electricity	(396,304)	(1,599,879)	(418,521)	(396,304)	(1,599,879)	(418,521)
Bok Seng PPSEZ Dry Port Co., Ltd.						
Utility charged	26,467	106,847	22,722	26,467	106,847	22,722
Repayments made	-	-	(12,792)	-	-	(12,792)
Repayments received	7,450	30,076	-	7,450	30,076	-
Security services charged	32,340	130,557	-	-	-	-
Sahas Advisory and Consulting Co., Ltd.						
Advances received	1,090	4,400	-	1,090	4,400	-

28. RELATED PARTY DISCLOSURES (continued)

(b) The Group and the Company had the following transactions with related parties during the financial year. (continued)

	Group			Company		
	2017		2016	2017		2016
	US$	KHR'000	US$	US$	KHR'000	US$
Shareholders						
Lok Chumteav Oknha Lim Chhiv Ho						
Repayments received	39,483	159,393	-	39,211	158,295	-
Repayments made	(39,713)	(160,321)	-	(39,713)	(160,321)	-
Sale of land	833,801	3,366,055	-	833,801	3,366,055	-
Purchase of land	(777,911)	(3,140,425)	-	(777,911)	(3,140,425)	-
Security services charged	8,964	36,188	11,504	-	-	-
Zephyr (Cambodia) Co., Ltd.						
Advances provided	141,250	570,226	-	141,250	570,226	-
Repayments received	(141,250)	(570,226)	-	(141,250)	(570,226)	-
Common control						
Attwood Investment Group Co., Ltd.						
Repayments made	(500,618)	(2,020,995)	-	(500,618)	(2,020,995)	-
Repayments received	509,070	2,055,116	-	501,345	2,023,930	-
Security services charged	11,015	44,468	11,719	-	-	-
LCH Development Co., Ltd.						
Construction costs	-	-	(697,442)	-	-	(697,442)
Repayments made	(364)	(1,469)	(797,622)	(364)	(1,469)	(797,622)
Advances received	5,808	23,447	69,502	3,150	12,717	69,502
Utility charged	4,589	18,526	16,269	4,305	17,379	16,269
Security services charged	66,173	267,140	64,580	-	-	-
LCH Construction Co., Ltd.						
Construction costs	(948,142)	(3,827,649)	(2,240,062)	(661,838)	(2,671,840)	(2,240,062)
Utility charged	(15,147)	(61,147)	28,332	1,958	7,904	28,332
Repayments received	10,866	43,866	288,127	41,078	165,832	-
Sahas Advisory and Consulting Co., Ltd.						
Advances provided	-	-	(1,090)	-	-	(1,090)
Related parties						
Lim Muoy Kim						
Advances provided	(15,000)	(60,555)	-	(15,000)	(60,555)	-
Phou Muoy Kim						
Advances provided	(15,000)	(60,555)	-	(15,000)	(60,555)	-

28. RELATED PARTY DISCLOSURES (continued)

(b) The Group and the Company had the following transactions with related parties during the financial year. (continued)

	Group			Company		
	2017		2016	2017		2016
	US$	KHR'000	US$	US$	KHR'000	US$
Directors						
Tan Soeun Muoy						
Advances received/ (provided)	1,813	7,319	(160,000)	(619)	(2,499)	(160,000)
Security services charged	4,788	19,329	6,237	-	-	-
Tan Kak Khun						
Advances provided	-	-	(150,000)	-	-	(150,000)
Subsidiaries						
Sahas PPSEZ Co., Ltd.						
Utility charged	-	-	-	778	3,141	6,545
Security services paid	-	-	-	(91,539)	(369,543)	(117,857)
Office rental	-	-	-	1,200	4,844	3,000
Repayments received	-	-	-	-	-	2,190
Advances provided	-	-	-	(8,500)	(34,315)	-
Poi Pet PPSEZ Co., Ltd.						
Utility charged	-	-	-	-	-	4,065
Office rental	-	-	-	1,200	4,844	1,200
Advances provided	-	-	-	(1,439,652)	(5,811,875)	(4,317,765)
Repayments received	-	-	-	63,173	255,029	-
Sahas E&C Co., Ltd.						
Repayments made	-	-	-	(402,794)	(1,626,079)	-
Advances received	-	-	-	797,518	3,219,580	-

Balances with related parties at the end of the reporting period are disclosed in Note 12 and Note 19 to the financial statements.

The related party transactions described above were carried out on negotiated commercial terms.

(d) Compensation of key management personnel

	Group			Company		
	2017		2016	2017		2016
	US$	KHR'000	US$	US$	KHR'000	US$
Short term employee benefits	810,120	3,270,454	888,622	810,120	3,270,454	888,622

29. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Group's capital management is to ensure that the Group would be able to continue as a going concern whilst maximising the return to its shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it, in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

The Group monitors and maintains a prudent level of total debts and to ensure compliance with any externally imposed capital requirements.

(b) Categories of financial instruments

	Loan and receivables		
	2017		**2016**
Group	**US$**	**KHR'000**	**US$**
Financial assets			
Trade and other receivables	7,491,147	30,241,759	6,968,639
Cash and bank balances	2,521,105	10,177,701	2,411,748
	10,012,252	40,419,460	9,380,387
Company			
Financial assets			
Trade and other receivables	13,134,829	53,025,305	11,713,947
Cash and bank balances	2,128,523	8,592,847	2,383,016
	15,263,352	61,618,152	14,096,963

	Other financial liabilities		
	2017		**2016**
Group	**US$**	**KHR'000**	**US$**
Financial liabilities			
Borrowings	7,509,691	30,316,623	7,022,125
Trade and other payables	1,054,060	4,255,241	1,385,354
	8,563,751	34,571,864	8,407,479
Company			
Financial liabilities			
Borrowings	7,509,691	30,316,623	7,022,125
Trade and other payables	1,227,900	4,957,030	1,087,982
	8,737,591	35,273,653	8,110,107

29. FINANCIAL INSTRUMENTS (continued)

(c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

(i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value.

The carrying amounts of financial assets and liabilities, such as trade and other receivables as well as trade and other payables, are reasonable approximation of fair value due to their short-term nature.

The carrying amounts of the current portion of borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

(ii) Fixed rate term loans

The fair value of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of borrowing at the end of the reporting period.

(d) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables set out the financial instruments not carried at fair values for which fair value is disclosed, together with their carrying amounts shown in the statement of financial position.

	Fair values of financial instruments not carried at fair value				
	Level 1	**Level 2**	**Level 3**	**Total fair value**	**Carrying amount**
	US$	**US$**	**US$**	**US$**	**US$**
Group and Company					
At 31.12.2017					
Financial liability					
Fixed rate term loans	-	-	2,853,039	2,853,039	2,874,225
(KHR'000 equivalent)	-	-	*11,517,718*	*11,517,718*	*11,603,246*
At 31.12.2016					
Financial liability					
Fixed rate term loans	-	-	6,096,358	6,096,358	6,114,353

There were no transfer between Level 1, Level 2 and Level 3 fair value measurement during the financial years ended 31 December 2017 and 31 December 2016.

(e) The Group has established guidelines in respect to the measurement of fair values of financial instruments. The management regularly reviews significant unobservable inputs and valuation adjustments.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Information on the management of the related exposure is detailed below:

(a) Credit risk

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

The Group's primary exposure to credit risk arises through its receivables. The credit period for trade receivables is one to three months (2016: one to three months) and the Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management.

<u>Exposure to credit risk and credit risk concentration profile</u>

The maximum exposure to credit risk for the Group is represented by the carrying amounts of each financial asset.

At the end of the reporting period, approximately 52% (2016: 50%) of the Group's trade and other receivables were due from related parties, associates and Directors.

<u>Financial assets that are neither past due nor impaired</u>

Information regarding trade and other receivables that neither past due nor impaired is disclosed in Note 12. Bank balances are placed with reputable financial institutions with good standing. The Directors believe that the possibility of non-performance by the financial institution is remote on the basis of its financial strength.

<u>Financial assets that are past due but not impaired</u>

Information regarding trade and other receivables that are past due, but not impaired is disclosed in Note 12.

(b) Liquidity and cash flow risk

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

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

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity and cash flow risk (continued)

The maturity analysis for financial liabilities that shows the remaining contractual maturities based on undiscounted cash flows is as follows:

	On demand or within one year US$	One to five years US$	Over five years US$	Total US$
Group				
At 31.12.2017				
Borrowings	2,744,916	4,715,134	807,244	8,267,294
Trade and other payables	1,054,060	-	-	1,054,060
	3,798,976	4,715,134	807,244	9,321,354
(KHR'000 equivalent)	*15,336,466*	*19,034,996*	*3,258,844*	*37,630,306*
At 31.12.2016				
Borrowings	4,063,082	3,649,124	40,548	7,752,754
Trade and other payables	1,385,354	-	-	1,385,354
	5,448,436	3,649,124	40,548	9,138,108

	On demand or within one year US$	One to five years US$	Over five years US$	Total US$
Company				
At 31.12.2017				
Borrowings	2,744,916	4,715,134	807,244	8,267,294
Trade and other payables	1,227,900	-	-	1,227,900
	3,972,816	4,715,134	807,244	9,495,194
(KHR'000 equivalent)	*16,038,258*	*19,034,996*	*3,258,844*	*38,332,098*
At 31.12.2016				
Borrowings	4,063,082	3,649,124	40,548	7,752,754
Trade and other payables	1,087,982	-	-	1,087,982
	5,151,064	3,649,124	40,548	8,840,736

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk

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

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

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group and the Company if interest rates at the end of reporting period changed by 10 basis points with all other variables held constant:

	2017	**2016**
	US$	**US$**
Profit net of tax		
- Increased by 0.1% (2016: 0.1%)	(6,008)	(5,107)
- Decreased by 0.1% (2016: 0.1%)	6,008	5,107

The sensitivity is higher in 2017 than in 2016 because of the increase of the borrowings during the financial year. The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk (continued)

The following tables set out the carrying amounts as at the end of the reporting period and the remaining maturities of the financial instruments of the Group and the Company that are exposed to interest rate risk:

	Note	Weighted average effective interest rate %	Within 1 year US$	1 - 2 years US$	2 - 3 years US$	3 - 4 years US$	4 - 5 years US$	More than 5 years US$	Total US$
Group and Company									
As at 31.12.2017									
Fixed rates									
Term loan I	17	10.0	877,003	264,230	-	-	-	-	1,141,233
Term loan V	17	8.0	373,379	404,816	438,691	475,835	40,271	-	1,732,992
Floating rates									
Term loan VI	17	6.8	1,200,000	500,000	-	-	-	-	1,700,000
Term loan VII	17	6.9	384,229	412,220	441,816	474,091	508,438	714,672	2,935,466
As at 31.12.2016									
Fixed rates									
Term loan I	17	10.0	793,120	817,004	324,229	-	-	-	1,934,353
Term loan II	17	11.0	2,130,000	-	-	-	-	-	2,130,000
Term loan V	17	8.0	346,756	373,379	404,816	438,691	475,835	10,523	2,050,000
Floating rates									
Term loan III	17	7.6	23,701	386,765	-	-	-	-	410,466
Term loan IV	17	7.6	497,306	-	-	-	-	-	497,306

31. TAXATION CONTINGENCIES

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

32. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 24 January 2017, the Company incorporated a new subsidiary, Sahas E&C Co., Ltd., with a 60% equity interest.

(b) On 14 February 2017, the Company incorporated a new associate, Sahas Advisory & Consulting Co., Ltd., with a 39% equity interest.

(c) On 20 November 2017, Poi Pet PPSEZ Co., Ltd., a wholly owned subsidiary of the Company, incorporated a new associate, B.Grimm Power (Poi Pet) Co., Ltd., with a 45% equity interest.