PHNOM PENH SPECIAL ECONOMIC ZONE

COMMITTED TO THE FUTURE

# Annual Report 2020

# Phnom Penh SEZ, Plc.

PHNOM PENH
SPECIAL ECONOMIC ZONE
COMMITTED TO THE FUTURE

## Our Vision:

To lead as a developer and operator of SEZ in Cambodia and to create long-term value for our shareholders, stakeholders and the communities as a whole.

## Our Mission:

To be the leading SEZ in Cambodia. With customized, ISO certified infrastructure solutions, on-site administrative services, and a central location to support regional logistics, we aim to provide manufacturing companies with financial advantages for a secure long-term investment, while playing a key role in the development of the local economy.

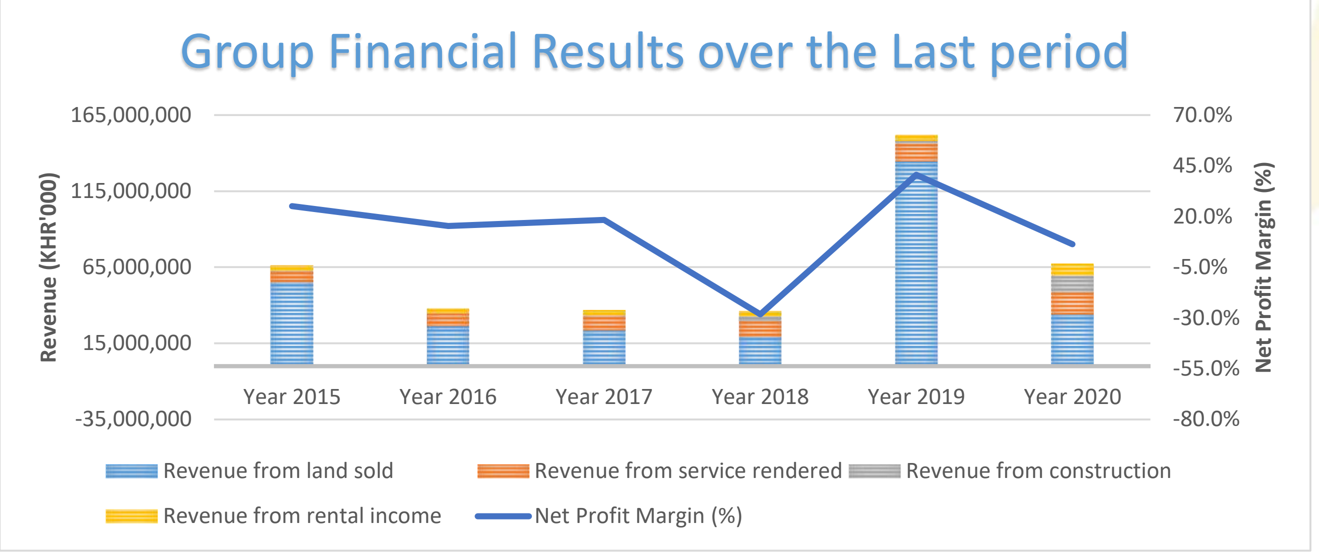
# Financial Highlights

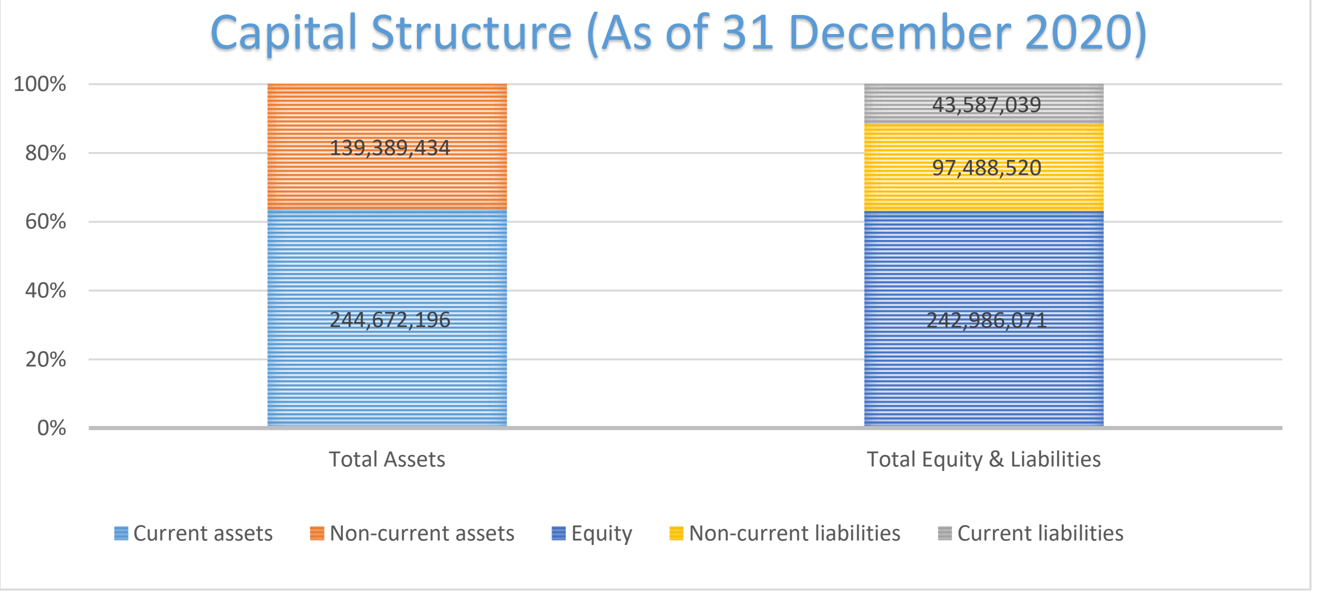
| Financial Position (KHR'000) | | 2020 | 2019 | 2018 |
|---|---|---|---|---|
| Total assets | | 384,061,630 | 382,349,104 | 370,713,946 |
| Total liabilities | | 141,075,559 | 141,908,700 | 192,085,604 |
| Total equity | | 242,986,071 | 240,440,404 | 178,628,342 |
| **Financial Performance (KHR'000)** | | **2020** | **2019** | **2018** |
| Total revenue | | 67,477,201 | 152,053,658 | 36,352,429 |
| Profits/Loss before tax | | 6,648,914 | 67,876,049 | (6,297,938) |
| Net profits/Loss after tax | | 4,315,782 | 61,636,087 | (10,285,787) |
| Total comprehensive income/Loss | | 4,315,782 | 61,636,087 | (10,285,787) |
| **Financial Ratios** | | **2020** | **2019** | **2018** |
| Liquidity | | | | |
| Liquidity ratio | Current ratio | 5.61 | 4.78 | 2.05 |
| | Quick ratio | 2.23 | 2.13 | 0.92 |
| | | **2020** | **2019** | **2018** |
| Profitability | Return on assets | 1.12% | 16.12% | (2.77)% |
| | Return on equity | 1.78% | 25.63% | (5.76)% |
| | Gross profit margin (%) | 48.79% | 61.00% | 45.30% |
| | Net profit margin (%) | 6.40% | 40.54% | (28.29)% |
| | Earnings per share | 60.05 | 857.5 | (147.6) |
| Interest Ratio(Finance Cost) | | 2.13 | 15.07 | 1.43 |
| Dividend paid per share (if available) (KHR'000/Share) | | - | 0.032 | 0.025 |



PHNOM PENH SEZ PLC.
National Road No. 4, Sangkat Kantouk, Khan Posenchey, Phnom Penh, Cambodia
+855 (0)23 729 798 +855 (0)23 729 799 sales@ppsez.com
www.ppsez.com

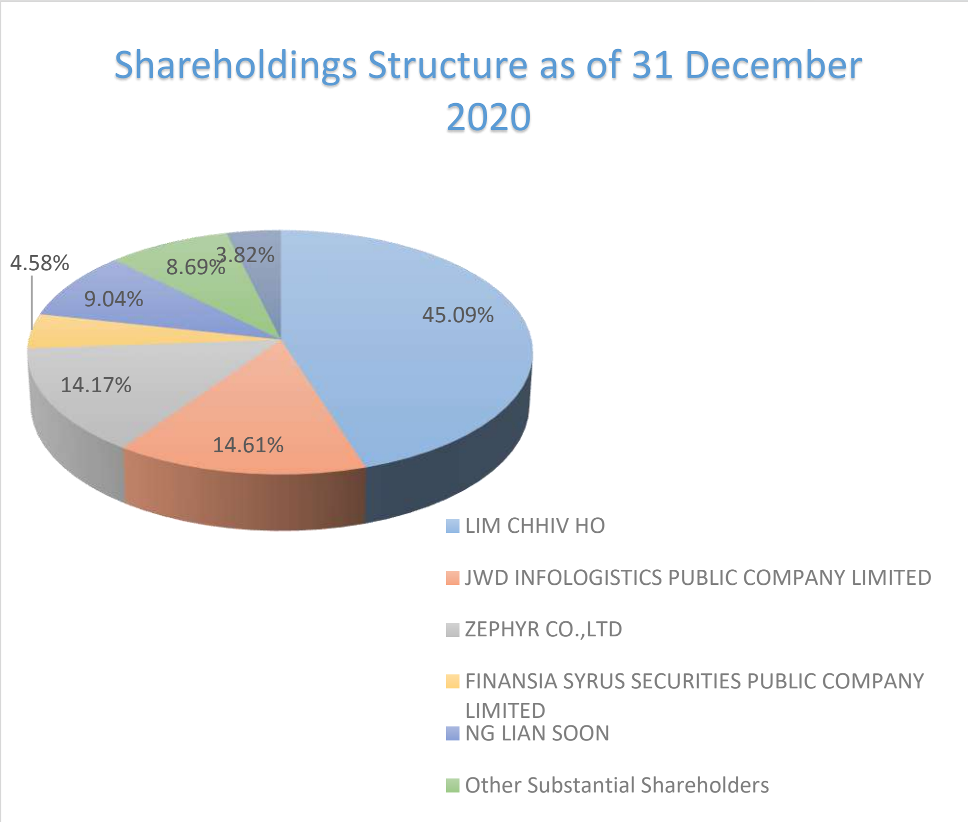
# Financial Summary Charts






PHNOM PENH SEZ PLC.
National Road No. 4, Sangkat Kantouk, Khan Posenchey, Phnom Penh, Cambodia
t +855 (0)23 729 798 f +855 (0)23 729 799 @ sales@ppsez.com




**Remark:** Substantial Shareholders mean those who hold more than 1% of voting shares in the company.

# Board of Directors

Mr. Tan Kak Khun

Non-Executive Chairman

Mr. Hiroshi Uematsu

Executive Director

Mr. Kang Wei Geih

Independent Director

Mr. Hem Sovath

Independent Director

Mr. Hiroshi Otsubo

Non-Executive Director

Mr. Kenji Toyota

Non-Executive Director

Mr.Tanate Piriyothinkul

Non-Executive Director

# Statement from Chairman

Dear Fellow Shareholders

I am pleased to present you our audited results for the year ended 31 December 2020. For the year 2020 we reported a Profit after Taxation of 4,315,782 KHR'000 as compared to a Profit after Taxation of 61,636,087 KHR'000 in 2019.

I would like to draw your attention to this year's result as on a year to year basis, this year's result is not comparable to last year as was mentioned in my 2019 statement due to the effect of the restatement of the 2019 result on the implication of the one-off IFRS 15 adjustment. A further reason is that the 2020 result was affected badly by the onslaught of the Covid 19 which curbed the business activities and caused business travels to almost a standstill. The situation was unprecedented.

As the Covid 19 situation worldwide has not yet returned to the pre Covid 19 period to date, the Company's performance was affected, although we still managed to produce a creditable result under such circumstances. The financial position of the Company remains to be strong with Total Assets of 384,061,630 KHR'000 as compared to the previous year's Total Assets of 382,349,104 KHR'000.

As always we are committed to conduct our business responsibly and fairly under the sustainable development framework regardless of any future obstacles and the current challenges due to the Covid – 19 situations worldwide. Another year has passed and I hope the situation will be back to normal soon.

In conclusion on behalf of the Board of Directors and Management, I would like to thank our shareholders, our valued customers and business partners especially the relevant authorities for giving us their continuous support and cooperation during these trying times.

**Phnom Penh, March 31, 2021**

PHNOM PENH SEZ PLC.
KINGDOM OF CAMBODIA

**Tan Kak Khun**

**Non-Executive Chairman**



PHNOM PENH SEZ PLC.
National Road No. 4, Sangkat Kantouk, Khan Posenchey, Phnom Penh, Cambodia
t +855 (0)23 729 798 f +855 (0)23 729 799 @ sales@ppsez.com
www.ppsez.com

PHNOM PENH
SPECIAL ECONOMIC ZONE
COMMITTED TO THE FUTURE

# Statement from CEO

Dear Fellow Shareholders

The Covid 19 situation around the world after a year does not appear to have improved much although there are now a number of vaccines available. For the year 2020, we managed to make a profit after tax of 4,315,782 KHR '000 despite the impact of the Covid 19 situation. This result was achieved as we received strong support from our existing customers who continue to invest with us during these testing times.

The company's revenue for the year was 67,477,201 KHR'000 as compared to 152,053,658 KHR'000 in 2019, a reduction of 56% compared to the previous year. The profit after taxation was 4,315,782 KHR'000 as compared to a profit after Taxation of 61,636,087 KHR'000 a decrease of 93%.

As mentioned in the Statement from Chairman, this year's result on a year to year basis, this year's result is not comparable to last year due to the effect of the restatement of the 2019 result on the implication of the one-off IFRS 15 adjustment and also of the Covid 19 onslaught.

We look forward into a better year in 2021 as we have secured a large new tenant for our Poipet SEZ and we are also expecting further land sales to our existing customers.

We hope that as the situation improve further our potential investors will again get to visit our locations to see for themselves our available facilities.

I would like to thank all our employees for their dedication and contribution to our business performance and I would also like to thank all the regulatory authorities for their valuable advice and support. Finally, I would like to thank our current investors and our shareholders for the continued trust, support and confidence on the company over the years.

Phnom Penh SEZ Plc is fully committed to the strategies and targets as set by the Board of Directors and we shall continue to implement these in order that excellent results are achieved.

**Phnom Penh, March 31, 2021**

PHNOM PENH SEZ PLC.
KINGDOM OF CAMBODIA

**Hiroshi Uematsu**

**CEO/ Executive Director**

PHNOM PENH SEZ PLC.
National Road No. 4, Sangkat Kantouk, Khan Posenchey, Phnom Penh, Cambodia
t +855 (0)23 729 798 f +855 (0)23 729 799 @ sales@ppsez.com

# Table of Contents

## AUDITED FINANCIAL STATEMENTS

## RELATED PARTY TRANSACTIONS

1. Material transaction with substantial or controlling shareholders
2. Material transaction with company's directors or officers or any person whereby directors or Management Personnel have interest.
3. Material transaction with company's directors or Management Personnel.
4. Material transaction with those who have relationship with company's directors or Management Personnel.
5. Material transaction with any person who was company's director or related to the former company's directors for the last 2 years.
6. Material transaction with company's directors receiving any interest or professional fee on the service in which they provided via any legal entity to the company.
7. Material transaction with other related parties.
8. Material transaction with any person who was social in the society, other organization, or other companies beside listed

## MANAGEMENT DESCRIPTION & ANALYSIS

1. Overview of operations
2. Key factors which have an effect on profitability
3. Significant variation in sales and revenue
4. The impact of currency exchange rates and commodity prices
5. Impact of Inflation
6. Economic policy, the government's fiscal and monetary

## OTHER INFORMATION RELATING TO THE INVESTOR

# 1. CORPORATE INFORMATIOON

## 1.1 General Information

Company Name: **Phnom Penh SEZ, Plc.**

Company Code: **KH1000050000**

Company Address: **Phnom Penh Special Economic Zone, National Road No. 4, Sangkat Kantouk, Khan Kambol, Phnom Penh, Cambodia**

Phone Number: **(+855) 23 729 798** Fax Number: **(+855) 23 729 799**

Website: **www.ppsez.com** Email: **info@ppsez.com**

Company registration number: **Inv. 1076KH/2006** Date: **10 May 2006**

License number: **33 ANKr. BK (Sub-decree)**

Issued by **Royal Government of Cambodia** Date: **19 April 2006**

Listed Exchange: **Cambodia Securities Exchange (CSX)**

Approval Date: **23 March 2016**

Company Representative: **Lok Chumteav Oknha Lim Chhiv Ho**

## 1.2 Business Overview

Phnom Penh SEZ, Plc ("PPSP") is the developer and operator of Phnom Penh Special Economic Zone ("PPSEZ") and Poipet PP SEZ. We are in the forefront of SEZ developers and operators in Cambodia.

We received the approval as a developer of a multi-product SEZ from the Royal Government of Cambodia on 19 April 2006, making us the only SEZ currently operating in the close proximity of Phnom Penh, the capital of Cambodia.

The SEZ designation provides considerable government incentives and benefits to SEZ developers, operators and its zone investors, including exemptions from customs tax, income tax and other taxes, resulting in reduced costs for infrastructure, utilities, raw materials and other resources, which increases export competitiveness and benefits international trade.

Our Company is principally involved in the business of operating and managing of the SEZ with the main purpose of developing industrial land for sale/lease. In addition, as an operator, our Company is also involved in supplying other relevant services and facilities within PPSEZ such as supply and distribution of treated water, rental service, infrastructure maintenance, advisory service and administration support, wastewater treatment and other services. We are currently operating the PPSEZ located at National Road No. 4, Sangkat Kantouk, Khan Posenchey in Phnom Penh, Cambodia.

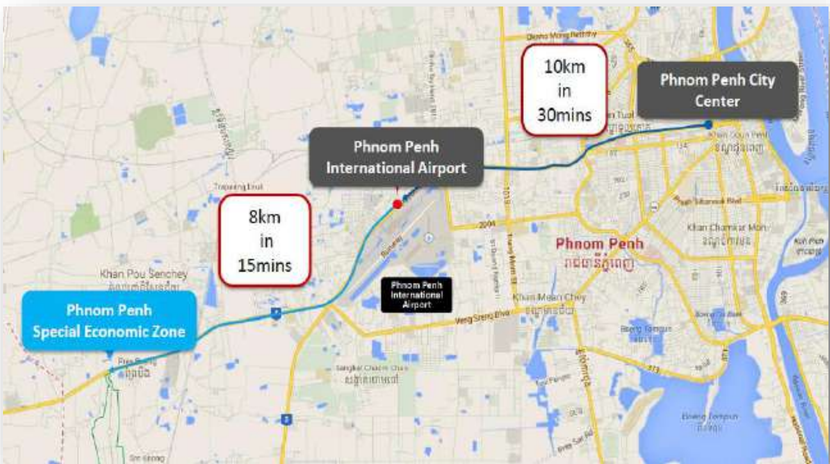
PPSEZ is currently operating in the proximity of the capital city of Cambodia, Phnom Penh. As of 31 December 2020, it is one (1) out of seventeen (18) operating SEZs (from a total of thirty-six (36) approved SEZs) in Cambodia. In addition, as of 31 December 2020, PPSEZ is a leader in terms of the number of zone investors, total investment amount, and the number of workers among all the approved SEZs in Cambodia and is one of the largest SEZs in Cambodia by land size with a land size measuring approximately 357.32 HA.

As of 31 December 2020, our company employs ninety six (96) personnel.

Through our subsidiaries and associated companies, our Group also provide security services, independent power production and distribution and dry port services to the zone tenants and zone investors of PPSEZ. This year, we established 3 new subsidiaries/associate including 1) PPSEZ II Co.,Ltd for new SEZ development 2) Sahas Properties Co.,Ltd as our property development flagship and 3) Gomi Recycle (Phnom Penh) Co.,Ltd, where we partner up with a Japanese company for solid waste management business.

We commenced our operations in PPSEZ in 2007 with the development of Phase I of PPSEZ and by August 2008, we received our first zone investor operating in PPSEZ. Throughout the years, we have experienced rapid growth in PPSEZ as a result of the increasing interest amongst the foreign and local investors to set up their business operations inside PPSEZ. As of 31 December 2020, PPSEZ accommodates ninety-two (104) investors from fourteen (12) nations where the majority comes from Japan, Malaysia, Taiwan, China, USA, and Korea in wide-ranging industries such as automobile parts, garment, food and beverage, plastic products, electronic products, and jewelry.

We are currently operating the PPSEZ located at National Road No. 4, Khan Kambol in Phnom Penh, Cambodia. The location of PPSEZ is as shown below:



PPSEZ is strategically located with access to rail and road network. It is situated at approximately eighteen (18) Km from the Phnom Penh City Center with easy access to the Phnom Penh Autonomous Port (an international river port in Phnom Penh City) and Phnom Penh International Airport (the largest international airport in Cambodia). Furthermore, its location along National Road No. 4 offers main and easy connection to the Sihanoukville Autonomous Port, the sole international and commercial deep-sea port of Cambodia.

In addition to its strategic location, PPSEZ facilitates and attracts its investors with key features as follows:

i. Independent power plant operated by Colben PPSEZ, one of our associated companies, to provide power supply in the event there is a power outage from the national power grid;

ii. Independent water supply system with water purification and sewage treatment plant;

iii. On-site dry port operated by Bok Seng PPSEZ, one of our associated companies, which provides fast and reliable loading and storage facilities to ease import/export transaction and to accommodate transportation needs;

iv. Comprehensive telecommunication network which is able to link up with twelve (12) different internet service providers and four (4) different telephone service providers;

v. Flood-safe dike equipped with modern drainage system providing security for smooth and dry operations for its zone investors;

vi. In-house security services, operated by Sahas PPSEZ Co., Ltd, one of our wholly-owned subsidiaries, to oversee and maintain security in the zone

vii. In-house construction services, operated by Sahas E&C Co.,Ltd, one of our subsidiaries; and

viii. "On-site, one-stop" services in partnership with relevant government agencies i.e. CSEZB, Customs and Excise Department, CAMCONTROL, MOC, and MLVT to assist with custom clearance, business registration, and compliance for its zone investors.

With modern infrastructure, PPSEZ has attracted more investors to set up their operations in the zone. Our company’s revenue generating activities are as follows:

### 1.2.1 Land Sales

Over the last nine (9) years from 2012 to 2020, the income generated from the sale of land in PPSEZ is the major contributor to our Group’s total revenue. The revenue from the sale of land depends on the number of plots sold and size of each plot sold.

PPSEZ is located approximately eighteen (18) Km from the Phnom Penh City Center with access to National Road 4. The SEZ designation allows zone investors to apply and enjoy government incentives and benefits resulting in reduced infrastructure cost when the zone investors set-up their plants in PPSEZ.

Based on Cambodian law, only natural persons or legal entities of Cambodian nationality have the right to ownership of land in Cambodia, therefore, the land sales performed in PPSEZ are either through an outright sale or via a long-term lease. For outright sales of land transaction, which are solely reserved for local buyers, it is based on a sale and purchase agreement in which the land title of the sold property lot(s) will be transferred to the local buyer upon completion of the agreement. On the other hand, for long-term lease, which can be leased to a local or foreign buyer, it is performed through a non-refundable fifty (50) years term lease agreement with an option to extend on the same terms and conditions renewable by lessee.

Over the last eight (9) years from 2012 to 2020, the number of our company's outright sales/long-term lease of land transactions in PPSEZ can be categorized as follows:

| Description | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Outright sale | 0 | 0 | 0 | 1 | 0 | 0 | 1 | 1 | 3 |
| Long-term lease | 2 | 8 | 7 | 9 | 9 | 8 | 6 | 14 | 11 |
| Total land sales transaction | 2 | 8 | 7 | 10 | 9 | 8 | 7 | 15 | 14 |

As of 31 December 2020, PPSEZ has a total land area of approximately 357.32 HA that has been developed over three (3) phases as follows:

i. Phase I completed its major infrastructure and facilities development in 2009. It has a total area of approximately 137.94 HA where approximately 86.71 HA are developed to accommodate sixty-one (61) factory lots with size ranging from 0.19 HA to 10.57 HA each. Phase I also includes approximately 24.46 HA of land that was designed for commercial developments which could accommodate but not limited to shop lots, restaurants and banks. Further, approximately 1.53 HA of land were designated for worker hostel area. The remaining zone area are designed for infrastructure usage and service area including our headquarters;

ii. Phase II, has a land size of approximately 161.59 HA, where its development is divided into Phase II-I and Phase II-II. Phase II-Ihas completed its major infrastructure and facilities since 2014. Phase II-I comprises approximately 87.85 HA of land area, in which 59.85 HA are developed to accommodate twenty-eight (28) factory lots with size ranging from 0.50 HA to 10.00 HA each, approximately 2.82 HA are rented as worker hostel area and the rest of the zone area are used for infrastructure purpose. Phase II-II completed its major infrastructure and facilities since early 2016. Phase II-II covers an area of approximately 73.74 HA in which 57.82 HA are developed to accommodate thirty-one

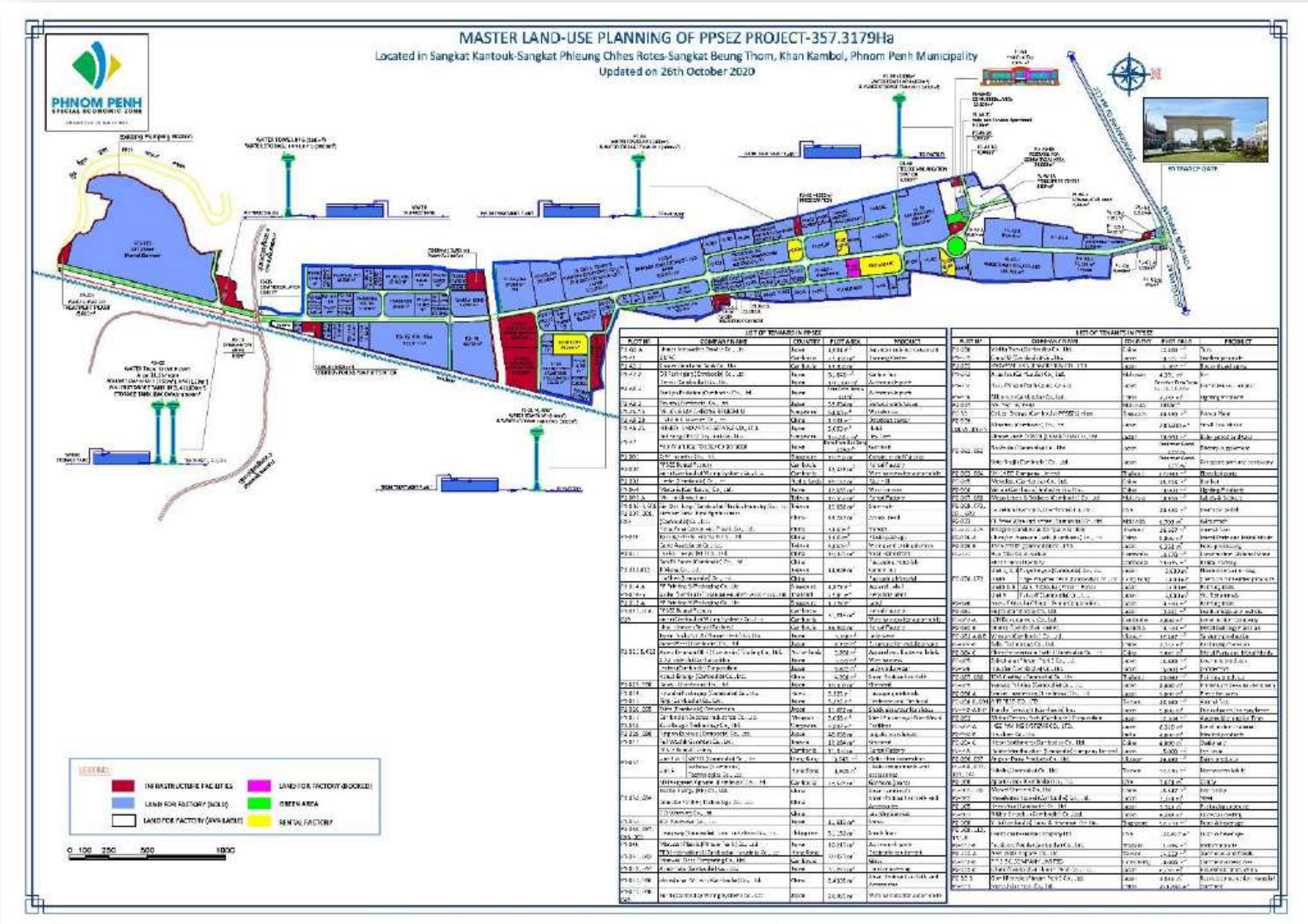
(31) factory lots with size ranging from 0.64 HA to 9.28 HA each. The remaining zone areas were designated for infrastructure and commercial area; and

iii. Phase III, with a land size of approximately 57.79 HA, is still under development. we, in last year, reached agreement to sell 41.3 HA to Gain Lucky Limited, a subsidiary of Shenzhou International Group, the largest manufacture of high-end knitwear in China. This transaction was considered as the largest-ever land sales transaction by the Company.

iv. We have also set up a new company Kandal PPSEZ II (formerly PPSEZ II) to purchase some of the surrounding land for the expansion of the PPSEZ.

Since 2010, our company had obtained the ISO: 9001 certification as a testament for our commitment towards quality and modern infrastructures installed in PPSEZ while providing high levels of customer service to the PPSEZ's zone investors. In addition, our company also obtained ISO: 14001 certification for our contribution in the environmental conservation.

The overall zone map of PPSEZ is as follows:



### 1.2.2 Services Rendered

Apart from the outright sale and long-term lease of land, we also provide the tenants of PPSEZ with services and infrastructure to facilitate their operations in PPSEZ, which includes the following:

*Utilities*

We provide our tenants with an independent and steady supply of water. Water is supplied through the installation of a water processing plant with a capacity of producing 14,900 m3 of fresh water on a daily basis and is located within the PPSEZ where it collects water primarily from Stoeng Preak Tnot located next to PPSEZ. Additional water is also collected through the rain water storage pond with a capacity of 25,000 m3. The rain water storage pond also serves as temporary water supply backup system in the event that there is disruption of water supply from the river water. Prior to supplying the water to the tenants of PPSEZ, experienced engineers in water processing plant will undergo quality testing on the water with effective and modern tools and equipment in the plant's laboratory to ensure the water quality meets the industrial standards. Our company has also installed a total of five (5) elevated storage reservoirs and water tanks for water storage and proper water pressure for the tenants' usage.

Through our associated company, Colben PPSEZ, we are also involved in operating an industrial power generation plant in the PPSEZ, which supply electricity for the tenants and premises inside the estate in the event there is a power outage from the national electricity grid. The said power plant is built on an area of approximately 5.04 HA and has a total electric generation capacity of thirteen (13) MW via three (3) installed heavy fuel oil generators.

The pictures below show the independent power plant located in PPSEZ.

*Infrastructure Maintenance*

To maintain the infrastructure and general operation costs of the PPSEZ the common area such as roads, electricity charges for the street lights, and other maintenance cost for the infrastructures facilities inside PPSEZ, our company also collects infrastructure maintenance fees from the zone occupants in PPSEZ. The Infrastructure maintenance fees are collected based on the land area of an occupant, multiplied by a fixed rate of maintenance fee.


PHNOM PENH SEZ PLC.
National Road No. 4, Sangkat Kantouk, Khan Posenchey, Phnom Penh, Cambodia
+855 (0)23 729 798 +855 (0)23 729 799 sales@ppsez.com
www.ppsez.com

*Advisory Service and Administrative Support*

In order to be a one-stop center for our zone investors, our company provides advisory and administration support services to our zone investors. The provision of such advisory and administration support aims to facilitate zone investors' registration activities in Cambodia. These administration support services include registration of zone investors' business operations with various authorities in Cambodia, which includes:

- QIP registration;
- Tax holiday registration;
- Preparation of master list for production;
- Factory opening declaration and certificate;
- Registration with MLVT; and
- GSP certificate (for zone investors that export their goods) for custom clearance.

*Wastewater Treatment*

We also provide water treatment services for the wastewater discharged by our zone occupants using our installed independent anti-corrosion pipe system in PPSEZ. The wastewater treatment plant is using aerated lagoon system that uses aeration ponds with surface aerators, settling ponds and polishing pond to treat the toxic constituents wastewater before discharge to the outside of the estate or reused for irrigation purpose within the zone area.

The pictures below show the water filtration and sewage treatment facility in PPSEZ.

### 1.2.3 Rental Income

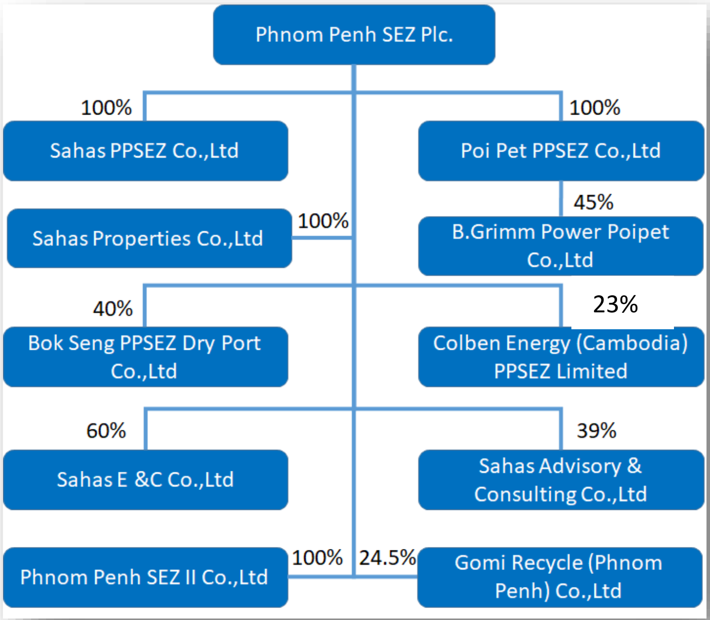
We also provide completed buildings for rental services which include factories, dormitories, warehouse, and shop lots in PPSEZ. Such rental services are mainly on short-term leases. Generally, the leasing period ranging from three (3) to five (5) years with options to renew for another three (3) or five (5) years.

### 1.2.4 Construction Business

Since 2017, we established Sahas E&C Co,Ltd to grow our new business in engineering and construction. This company initially started from doing construction work within our group and later started to get the businesses from outside customers.

## 1.3Subsidiary and Associated Companies

As of 31 December 2020, the PPSEZ Group's corporate structure is shown as follows:




| Name | Relationship | Area of Business | Incorporation date | Business location |
|---|---|---|---|---|
| Sahas PPSEZ | Subsidiary | Private security services | 6 Nov 2013 | PPSEZ, Phnom Penh City, Cambodia |
| Poi Pet PPSEZ | Subsidiary | SEZ development & Management | 31 Dec 2014 | Banteay Meanchey, Cambodia |
| Sahas E&C | Subsidiary | Engineering and Construction | 24 Jan 2017 | PPSEZ, Phnom Penh City, Cambodia |
| Sahas Properties | Subsidiary | Property Development | 15 November 2018 | PPSEZ, Phnom Penh City, Cambodia |
| PPSEZ II | Subsidiary | SEZ development & Management | 31 October 2018 | Phnom Penh City,Cambodia |
| Colben PPSEZ | Associate | Establishment of electricity power plant | 16 June 2009 | PPSEZ, Phnom Penh City, Cambodia |
| Bok Seng PPSEZ | Associate | Establishment of dry port | 22 Jan 2008 | PPSEZ, Phnom Penh City, Cambodia |
| Sahas Advisory & Consulting | Associate | Tax & Accounting Consulting service | 14 Feb 2017 | PPSEZ, Phnom Penh City, Cambodia |
| Gomi Recycle (Phnom Penh) | Associate | Solid Waste Management | 13 November 2018 | PPSEZ, Phnom Penh City, Cambodia |
| B.Grimm Power Poipet | Associate | Electrical Transmission and Distribution System | 20 Nov 2017 | Banteay Meanchey, Cambodia |

## 1.4 Key achievement & activities in the year of 2020

### The Official Visit of H.E. Dr. Aun Pornmoniroth, Deputy Prime Minister, Minister of Economy and Finance in Phnom Penh SEZ Plc. (PPSP) on January 23rd, 2020

In the morning of January 23rd, 2020, PPSP has had another great honor to welcome the visit led by H.E. Dr. Aun Pornmoniroth, Deputy Prime Minister, Minister of Economy and Finance, accompanied with H.E. Dr. Kun Nhem, Delegate of the Royal Government in Charge of the General Department of Customs and Excise of Cambodia, and H.E. Mr. Sok Chenda Sophea, Minister attached to the Prime Minister, Secretary General of Council for the Development of Cambodia.

The purpose of the visit is to understand the direction of development and challenges inside Phnom Penh Special Economic Zone (PPSEZ) and to meet the representative officials of one-stop service Center (OSSC) in PPSEZ. After brief communication with representative from OSSC and PPSP, H.E. Dr. Aun Pornmoniroth has led the officials to visit the following four manufacturers inside PPSEZ:

1. Laurelton Diamonds (Cambodia) Co., Ltd., for diamond polishing;
2. Angkor Diary Products Co., Ltd., for manufacturing dairy products;
3. Marvel Garment Co., Ltd., for garment manufacturing;
4. Minebea (Cambodia) Co., Ltd., for manufacturing electronics.

With extreme gratitude and honor for H.E. Dr. Aun Pornmoniroth's support, we will strive as much as possible to support our customers, and keep doing our best to attract are higher value-added industries to invest in Cambodia. We expect more career opportunities created for Cambodian people and the development of the country being promoted in the close future.



PHNOM PENH SEZ PLC.
National Road No. 4, Sangkat Kantouk, Khan Posenchey, Phnom Penh, Cambodia
t +855 (0)23 729 798 f +855 (0)23 729 799 @ sales@ppsez.com

## Phnom Penh SEZ Plc. (PPSP), Financed Gravel Road in Prey Boeng Village Sangkat Kantouk, Khan Kombol

As it marks our 11th year of Corporate Social Responsibility (CSR) project of PPSP, on Saturday, 01st February 2020, in collaboration with Khan Kombol hall, PPSP financed the gravel road in Prey Boeng Village, Sangkat Kantouk, Khan Kombol with its length of 2,232m and cost of 10,270.50 USD for the community, especially for the villagers living in Prey Boeng.

The inauguration ceremony was held with 120 participants from Prey Boeng village, local authority from Khan Kombol and PPSP. During the event, Mr. Seng Kun, Deputy Governor of Khan Kambol and Mr. Hiroshi Uematsu, CEO of PPSP took this opportunity to thank all villagers for their support in keeping environment and road clean. Moreover, all villagers were encouraged to always wear helmet as their daily habit while riding motorbike as well as to follow the traffic law to avoid any accident.

## Phnom Penh Special Economic Zone Expands Cooperation with Marvel Garment Co., Ltd.

In the morning of May 28, 2020, PHNOM PENH SEZ PLC. (PPSP) represented by Chairman Mr. TAN KAK KHUN, and MARVEL GARMENT CO., LTD. (Marvel Garment) represented by General Manager Mr. YAN DELIN signed the land lease agreement for additional land.

Marvel Garment is a leading knitwear manufacturer from China, and they have been expanding their project continuously in Phnom Penh Special Economic Zone (PPSEZ). The company has its current project in Phase 3 of PPSEZ, which started in March 2019, covering an area of 43ha.

The project is designed as a cluster of garment manufacturing plants, with tailoring, sewing, packaging, warehousing, and printing and embroidery in a complete set. A total of 16 workshops are expected to be completed in 2021, which can create 17,000 local job opportunities. Considering the residence and commuting of a large number of workers, the company has begun to prepare workers'


PHNOM PENH SEZ PLC.
National Road No. 4, Sangkat Kantouk, Khan Posenchey, Phnom Penh, Cambodia
+855 (0)23 729 798 +855 (0)23 729 799 sales@ppsez.com

dormitory and surrounding facilities. "While setting up the production area, we must arrange the living facilities in advance for the workers in the future." Said General Manager of MARVEL GARMENT.

This transaction involves the lease of 6.4ha of land, and is another symbol of deep cooperation between the two companies, for jointly vitalizing employment and economy of the Kingdom of Cambodia.

## Phnom Penh SEZ Plc. Holds Annual General Meeting (AGM)

On Friday 26, June 2020 Phnom Penh SEZ Plc. (listed on the Cambodian Stock Exchange under PPSP) held its Annual General Meeting for the financial year ended 31 December 2019.

At the AGM, shareholders approved the minutes of the Annual General Meeting held in 2019. The Financial Statements for the year ended 31 December 2019 was also presented for the shareholders for approval. The following directors were reelected and appointed at the AGM for a term of 2 years.

1. Mr. Hiroshi Uematsu, Executive Director
2. Mr. Kenji Toyota, Non-executive Director
3. Mr. Hem Sovath, Independent Director
4. Mr. Tanate Piriyothinkul, Non-Executive director

The company's auditors Baker Tilly (Cambodia) Co. Ltd was reappointed for another term. The company's shareholders unanimously approved all the resolutions as mentioned above.

The AGM was also a great occasion for Phnom Penh SEZ Plc's Board of Directors to present the company's future development plans to the shareholders. In his Chairman's welcoming speech, Mr Tan Kak Khun the Non-Executive Chairman said that due to the Covid-19 situation worldwide this year will be a challenging year for the company and he hoped that the current situation will improve in the later part of the year. He ended his speech by saying "on behalf of the Board of Directors, I would like to take this opportunity to wholeheartedly thank all the shareholders, investors, customers, and business partners especially the regulatory authorities for your continued support and cooperation.

Poipet PPSEZ Co., Ltd. (Poipet PPSEZ) made the second-time donation of One Ton of Rice and other foods to 50 families from 6 villages in Sangkat Poipet and 1 village in Sangkat Phsar Kandal, Poipet City, Banteay Meanchey Province.

While the threat of COVID-19 still exists, many people are still in need of humanitarian donations. Responding to their basic needs, the Corporate Social Responsibility (CSR) project of Poipet PPSEZ launched on July 8, 2020. In the collaboration with Poipet City hall, Poipet PPSEZ donated one ton of rice and other foodstuffs to 50 needed families from 6 villages such as Samaki Meanchey, Toul Prasat, Chankiri, Mettapheap, Kbal Spean 1, and Palilai 1 in Sangkat Poipet, and Phsar Kandal village in Sangkat Phsar Kandal, Poipet city, Banteay Meanchey Province.

The same as previous donation, Mayor of Poipet City, Mr. Keat Hol urged all villagers to continue taking care of health and staying safe by following the notification of the Ministry of Health such as cleaning hands frequently, staying at home and keeping social distance.

Meanwhile, Poipet PPSEZ also took this opportunity to briefly introduce the zone; and reminded people to be aware of COVID-19.

While we keep paying close attention to this global pandemic, we believe that by helping each other and working together, we can overcome this tough situation.

## Mulberry Trees Planting in Phnom Penh Special Economic Zone (PPSEZ)

On August 8, 2020, Phnom Penh SEZ Plc. in collaboration with Dr. Mey Kalyan, Chairman of the Board of Trustees at Royal University of Phnom Penh (RUPP) and Mr. Ea Hoknym, Chairman of Aoral Silk Community located in Kompong Speu province, expanded planting over 3,500 of new mulberry trees in PPSEZ.

Providing mulberry leaves to RUPP's Khmer Silk Centre and Aoral Silk Community to feed silkworms is a great contribution for silk production in response to a high demand for silk in Cambodia. Moreover, a lot of rural people are given job opportunities to work in silk production line in the community, and some are planting mulberry trees to supply the leaves to the community for extra income. We believe that with the efforts of Dr. Mey Kaylan and the support of Mr. Ea Hoknym, the silk production will grow and bring benefits to Cambodia society.

## Manufacturers looking at Cambodia as their new production base

COVID-19 has been a very big concern for governments and people around the world for more than half of 2020. Borders are locked, tourist activities dramatically decline, schools and many other public facilities are closed either partially or completely. This also affects the supply chains of many manufacturing companies, resulting in drops in productions, and a decrease in employment. Meanwhile, new opportunities and chances also arose; new ways of thinking and methods of business got added.

Businesses in Phnom Penh Special Economic Zone are not left unaffected either. But fortunately, most of the investors have been able to keep going and some even expand. Looking at the benefits Cambodia provides to investors and the potential chances, two new companies decided to invest in Cambodia and in our zone.

Seikawa (Cambodia) Technology Co., Ltd. is a manufacturer of plastic parts for electrical and electronic devices from China who has invested as one of the supply chains for a well-known Japanese high tech company in Cambodia which is also located in our zone. The benefits of logistic cost reduction and lead time have been the main focus.

WCFO (CAMBODIA) CO., LTD. is another Chinese manufacturer, producing fiber optic devices, who exports to Japan and the United States. This company too is looking at Cambodia as a new production base due to the fact that the labor is young, trainable and affordable, and the preferential treatment to Cambodia from developed countries, especially in the situation of on-going US-China trade issue.

During this hard time, we need to keep trying and having hope for the better; meanwhile, looking for or creating new opportunities is very important.

## Sumi Wiring Systems are in expansion in Phnom Penh SEZ

Despite of COVID-19 crisis, Sumi (Cambodia) Wiring Systems Co., Ltd. (Sumi Cambodia) doubled its production from early this year in order to cater its increasing orders. Sumi Cambodia is a subsidiary of Sumitomo Wiring Systems, Ltd. in Japan, a world-leading manufacturer of wire harness for automobile.

Since the start of its operation in Cambodia in 2012, it has been producing wire harnesses to Japan market. Currently it employs 3,800 staff and operators, three times increase compared with two years ago.

Sumi Cambodia's expansion proves that Cambodians are capable to learn how to make high-quality products, which don't tolerate any defect, to be assembled to the renowned automotive makers like Toyota Motor. Despite of COVID-19, in Phnom Penh SEZ, 22,000 staff and workers are working as of today, which is 1,000 increase compared with January this year. Export value increased 35% compared with January this year. These figures show that we are recovering from the crisis.


1st Sumi Cambodia Factory (15,500m2 floor area)

## Marvel Garment Co., Ltd. Starts Recruitment and Preparation for Operation in Phnom Penh Special Economic Zone

MARVEL GARMENT CO., LTD. (Marvel Garment), the largest vertically integrated knitwear manufacturer in China, has been constructing a new production facility since March 2019 in Phnom Penh Special Economic Zone.

After one and a half year of construction, the company has completed its Phase 1 production plants, and started to recruit workers in order to start its operation from early October 2020. In Phase 1, the company will recruit 5,000 workers for Mask Production to Japan market.

Moreover, the project is designed as a cluster of apparel manufacturing facility, with tailoring, sewing, printing, embroidery, packaging and warehousing. Covering 43ha land, 16 production areas are planned to be completed by 2021, which will create 17,000 job opportunities.

The General Manager of Marvel Garment said, “We decided to move forward, despite of this challenging time, so that we can prepare for post COVID-19 world. By doing so, we will keep creating more job opportunity in Cambodia.”

## Poipet PPSEZ Co., Ltd. (Poipet PPSEZ) and B.Grimm Power (Poipet) Co., Ltd. provided Humanitarian Aid for Flood Victims in Sangkat Phsar Kandal, Poipet City, Banteay Meanchey Province

On October 24, 2020, in collaboration with the local authorities of three villages in Sangkat Phsar Kandal, Poipet PPSEZ and B.Grimm Power Poipet, our business partner for electricity supply, provided humanitarian gifts including two tons and half of rice, instant noodles, canned fish and other daily foodstuff to 101 families affected by flood in Phsar Kandal Village, Steung Bot Village, and Andoung Thmor Meas Village.

Mr. Khat Thea, Deputy Chief of Administration of Poipet city hall took this opportunity to remind all villagers to continue to take care of health and stay safe from the flood by following the instruction and guidance from the local authority such as beware fallen power lines, stay away from drains, keep children away from floodwaters, avoid wading even in shallow water as it may be contaminated and


PHNOM PENH SEZ PLC.
National Road No. 4, Sangkat Kantouk, Khan Posenchey, Phnom Penh, Cambodia
+855 (0)23 729 798 +855 (0)23 729 799 sales@ppsez.com
www.ppsez.com

so on. Poipet PPSEZ and B.Grimm Power Poipet always keep paying close attention to this natural disaster by joining hands with local authorities. We are willing to help our communities while they are in need as we believe that helping each other in such crisis is the most important thing for us to do for the nation and whole world.

## Phnom Penh SEZ Plc. Holds Extraordinary General Shareholders' Meeting (EGM)

On Wednesday 28, October 2020 Phnom Penh SEZ Plc held its Extraordinary General Shareholders' Meeting for ordinary shareholders to vote and approve the two (2) resolutions to be presented during the meeting.

On behalf of the Chairman and the Board of Directors, Mr. Hiroshi Uematsu Executive Director/CEO of Phnom Penh SEZ Plc in his welcoming speech, said due to the existing Covid 19 situation worldwide, as with this year's AGM which was held in June, this EGM is conducted as before with some of our Directors "seated "in their home countries via video conferencing.

As a matter of Good Corporate Governance, the EGM is to seek the approval of shareholders to vote on two resolutions to be presented. The 1st resolution is to approve the non-payment of a dividend for the financial year ended 31 December 2019. The 2nd resolution is to approve the Shares Buyback of the company's shares. The result of the Extraordinary General Shareholders' Meeting, with their votes cast are as listed below:

1. To approve No dividend distribution: 62,334,667shares= 86.73%
2. Against to approve No dividend distribution: 1,435,234shares= 2.00%
3. To Approve Shares Buyback:63,767,578shares = 88.72%
4. Against to Approve Shares Buyback: 2,023shares = 0.00%

## New Rental Warehouse Construction by a New Subsidiary of Phnom Penh SEZ Plc.

Since its establishment in 2006, Phnom Penh SEZ Plc. (PPSP) has been developing and expanding non-stop. While the main business is to develop and operate Phnom Penh Special Economic Zone, there are now several new businesses like construction, security, tax consultation and support, properties development and management, etc.

Among other subsidiaries of PPSP, Sahas Properties Co., Ltd. has been established since November 2018 to take charge of properties development and management inside Phnom Penh SEZ.

As of today, Phnom Penh SEZ has been accommodating more than 30 investors from Japan, China and other countries to the rental factory buildings.

Maru-T Ohtsuka (manufacturer of painting tools), Sumi Wiring Systems (manufacturer of automobile wire harnesses), Taiyo Kogyo (manufacturer of industrial packaging materials) are the example of tenants.

More rental factory and warehouse buildings are to be built and managed by Sahas Properties Co., Ltd. to meet the continuous demand of investors from Japan and other countries. Today's Ground Breaking Ceremony for a new rental warehouse is another achievement to look forward to for 2021, after one rental factory building of four units has been built and nearly leased out in 2020.

## Marvel Garment expands in PPSEZ

In December 2020, PHNOM PENH SEZ PLC. (PPSP) represented by Chairman Tan Kak Khun, and MARVEL GARMENT CO., LTD. (Marvel Garment) represented by General Manager Mr. Yan Delin signed the lease agreement for additional land. MARVEL GARMENT is the largest vertically integrated knitwear manufacturer in China, has been constructing new production facilities since March 2019 in Phnom Penh Special Economic Zone.

As the production lines are being completed one by one, the company has recruited over 3,000 workers since early October 2020; and there's urgent need to recruit up to 6,000 workers by end of February 2021. Considering the increasing number of workers, the company is speeding up to prepare for workers' dormitory and surrounding facilities. The target is to accommodate more than 10,000 workers by 2021. This agreement involves 3.7ha of land, which is a symbolic cooperation between two companies in order to create the employment and to promote the industry of the country.

## 1.5 Market Situation

As of 31 December 2020, our company has secured a total of ninety-three (93) zone investors/tenants in PPSEZ from countries such as Japan, Singapore, Malaysia, Taiwan, Korea, Philippines, China, Vietnam, Turkey, USA, Cambodia and Thailand. We mainly target zone investors that are involved in the light to medium and more labor intensive industries and have thus far, attracted investors from the following industries:

- Mechanical and electrical products destined for both the export and the local market;
- Garment, shoes, apparel and fashion industries;
- Food processing and agricultural industries for regional and local markets;
- Consumer products (pharmaceutical, packaging, etc.);
- Automobile parts;
- Assembly of pre-produced parts to final product for regional and local markets; and
- Logistic companies.

Based on the most updated information from The Council for the Development of Cambodia ('CDC'), Phnom Penh SEZ hold the 2nd largest number of Projects among the SEZs with 92 Projects but has drawn the highest investment capital of 562,689,666 USD.

| SEZ Name | Province | Est. Year | Area (Ha) | Number of Projects |
|---|---|---|---|---|
| Sihanoukville SEZ | Sihanoukville | 2008 | 1,113 | 109 |
| Phnom Penh SEZ | Phnom Penh | 2006 | 357 | 92 |
| Manhattan Svay Rieng SEZ | Svay Rieng | 2006 | 157 | 31 |
| Tai Seng Bavet SEZ | Svay Rieng | 2007 | 99 | 27 |
| Sanco Poi Pet SEZ | Banteay Meanchey | 2013 | 66.5 | 10 |
| Poi Pet Ou Neang SEZ | Banteay Meanchey | 2006 | 467 | 5 |
| Neang Kok Koh Kong SEZ | Koh Kong | 2007 | 335 | 5 |
| Dragon King Bavet SEZ | Svay Rieng | 2012 | 106.5 | 4 |
| Sihanoukville Port SEZ | Sihanoukville | 2009 | 70 | 3 |
| Sihanoukville SEZ #1 | Sihanoukville | 2006 | 178 | 3 |
| Shandong Sunshell SEZ | Svay Reing | 2013 | 96 | 2 |
| Goldfame Paksun SEZ | Kandal | 2007 | 80 | 2 |
| Hi-Park SEZ | Svay Rieng | 2013 | 263.13 | 2 |
| H.K.T. SEZ | Sihanoukville | 2012 | 345 | 1 |
| Kerry Worldbridge SEZ | Phnom Penh | 2015 | 63 | 1 |
| Qi Lu (Jian Pu Zhai) SEZ | Svay Rieng | 2017 | 179.12 | 1 |
| Suvannaphum SEZ | Kandal | 2014 | 200 | 1 |

The future outlook for the SEZs in Cambodia is projected to remain strong, in line with the anticipated strong economic growth in Cambodia. Cambodia relies heavily on investments to spur economic growth. As a point of fact, the SEZ scheme was introduced by the Cambodian government to spur investments, with the objectives of streamlining administrative procedures and encouraging private sector participation in all aspects of the development and operations in the SEZ. In addition, laws and policies have also been put in place to encourage and protect foreign investments to spur the domestic Cambodian economic growth. As the nation continues to strive for industrialization, robust growth is anticipated to be experienced across major industries in Cambodia, specifically the agriculture, garment manufacturing, construction subsector and tourism industry. Strong governmental support for the development of the nation has a spillover effect to the development of SEZs.

The development of SEZs in Cambodia is still in its nascent stage. Today, some of the largest foreign investors in Cambodia include China, Korea, Malaysia, the United Kingdom and the US. Out of the 36 approved SEZ, only seventeen (17) SEZs have commenced operations. Robust development and strong industry drivers are anticipated to ensure strong growth for the remaining developing SEZs in the coming years. Cambodia has an attractive investment environment; attributed to its relatively stable political environment, geographical advantage, open economy and fairly-competitive labor cost/availability. In addition, the Cambodian government employs tax holidays, duty free import and various incentives such as the SEZs' one-stop services to attract FDI into the SEZs. Supporting infrastructure and facilities within SEZ further attract zone investors to channel their investments in SEZs, hence accelerating the development of the SEZs.

### 1.5.1 Expansion of other relevant services

Albeit our current revenue stream is mainly from land sale/perpetual lease, we, however, strive to build sustainable business model for industrial estate development. We endeavor to introduce and increase revenue from more sustainable sources.

Currently within PPSEZ, we have successfully installed an independent water supply system which consists of water reservoir cum water treatment system with the capacity to supply approximately 14,900 m3 of water per day moving forward to cater the anticipated increase in the number of diversified investors. This will mitigate any potential disruption of water supply to PPSEZ and ensure that investors in PPSEZ, particularly those that are involved in the food and beverage industry which requires a constant supply of water for their operations, do not face disruption in water supply. As of 31 December 2019, the water consumption of the independent water supply system is approximately 5,300 m3 per day, representing a utilization of 36%. Water consumption continue increasing from last year due to new operation of beverage companies inside the zone.

In year 2019, we successfully established 3 new subsidiaries/associates for properties development, waste management, and new SEZ development.

## 1.6 Competitive Advantage

The primary elements for our competitive advantage are as follows:

### 1.6.1 Strategic location of PPSEZ

PPSEZ is located in the Cambodian capital and is approximately eighteen (18) Km from the Phnom Penh City Center with easy access to the Phnom Penh Autonomous Port (an international river port in Phnom Penh City) and eight (8) Km away from the Phnom Penh International Airport. PPSEZ is strategically located with access to the National Road 4 that connects to the Sihanoukville Autonomous Port. PPSEZ is also accessible by various modes of transportation. In addition, PPSEZ is located adjacent to the main railway track in Cambodia. The strategic location of PPSEZ with convenient accessibility facilitates the distribution of goods produced to inner parts of the country.

Poipet PP SEZ is a new Special Economic Zone (SEZ), developed and operated under Poi Pet PPSEZ Co., Ltd., a wholly-owned subsidiary of Phnom Penh SEZ Plc. it is located in Banteay Meanchey Province, Northwestern Cambodia neighboring the Cambodia-Thai Border. It is approximately 8 Km

East of the Poipet city center, with access to one of the key border crossing point with Thailand in the northwest of Cambodia. Its aforesaid strategic location is attractive to prospective investors who are looking for starting new manufacturer, warehouse, or distribution center. It is actually 250 km away from the deep sea port at Laem Chabang, Thailand.

Strategically located with direct access to National Road No. 5 (a designated part of the Asian Highway 1), Poipet PP SEZ is an important knot along the Hoh Chi Minh – Phnom Penh – Siem Reap – Bangkok route.

### 1.6.2 Established relationship with customers

Currently, we have been involved in the development and management of SEZ for over eleven (11) years. As of 31 December 2020, PPSEZ has Ninety-two (104) zone investors (in respect of SEZs, customers are also known as zone investors as they set up their operations within the SEZs) that have already set-up or in the process of setting up manufacturing/assembling plants in PPSEZ. Furthermore, As of 31 December 2020, PPSEZ is one of the leading SEZs in terms of invested capital and number of tenants among all the thirty-six (36) approved SEZs in Cambodia.

In addition, through our Japanese shareholder and the wide business network of the management of PPSP, as of 31 December 2020, our company has successfully attracted forty-seven (45) Japanese companies invested in PPSEZ which makes PPSEZ to have the largest Japanese investors based among all the SEZs in Cambodia.

### 1.6.3 Our experienced board of directors /management team

Our company is led by a team of experienced board of directors /management team. Our newly appointed Chairman Mr Tan Kak Khun is the son of our previous Chairman. Mr. Tan Kak Khun has been a director of the company since 2016.

On the other hand, our CEO, Mr. Hiroshi Uematsu has been involved in business administration and engineering related industries for over twenty (20) years.

Both our Chairman and CEO, leads a team of Senior Officers comprising nine (9) personnel with diversified skills in construction, project management, engineering, customer service, marketing, accounting and finance, and investor relations management which has been instrumental in the success of our Group.

### 1.6.4 Our value added services

In addition to the development and management of PPSEZ, our Group also able to provide value added services including:

- In-house security services provided by our wholly-owned subsidiary, namely Sahas PPSEZ;
- In-house construction services, provided by Sahas E&C Co.,Ltd, our subsidiary;
- Stable backup power supply from an independent power plant located in PPSEZ that is operated by Colben PPSEZ, an associate company;
- Dry port facilities inside PPSEZ which is operated by Bok Seng PPSEZ, an associate company; and
- Other infrastructures such as independent water purification and sewage treatment plant, comprehensive telecommunication network, sufficient warehouse rental space, dormitory rental service and other services catering the diverse needs of the tenants of PPSEZ.

## 1.7 Future Business Plan

Moving forward, our mission is to maintain our position as the leading SEZ in Cambodia. Our future plans are as follows:

### 1.7.1 Commencement of major infrastructure and facilities works for Poipet PP SEZ

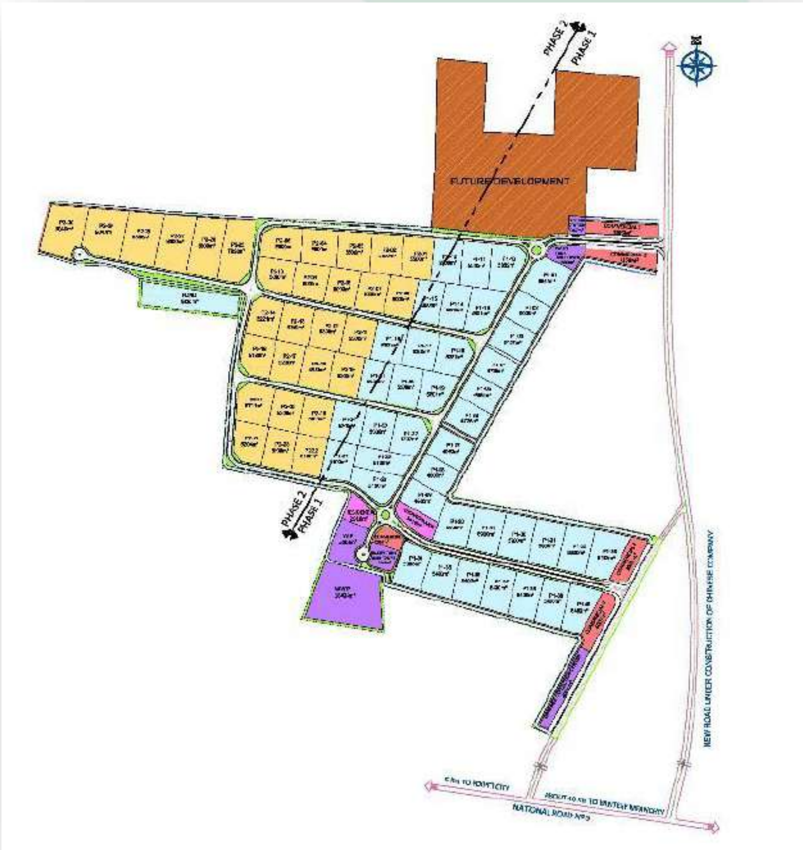
Since 2014, we start developing new SEZ in Banteay Meanchey Province of Cambodia under the name “Poipet PP SEZ”, which has been operated by our wholly-owned subsidiary, Poi Pet PPSEZ Co.,Ltd.

With the total land size of 68.4 Ha., the Poipet PP SEZ is located in the proximity of Poipet city, approximately 5.60km east of the Poipet city center, where it has access to one of the border crossing check point in the northwest of Cambodia which is adjacent to the border with Thailand. The Poipet city is located approximately 306km away from Bangkok and approximately 410km away from Phnom Penh. As of 31 December 2019, there are two (2) approved SEZs in Poipet city namely Poipet O’Neang SEZ and Sanco Poi Pet SEZ.

The Poipet PP SEZ is strategically located with access to the National Road No. 5 which will constitute part of the Asian Highway 1 that provides convenient accessibility and facilitates the distribution of goods to Cambodia and also the inner parts of Thailand and other Asian countries. It is also located approximately 250km away from the Laem Chabang Port, one of the main deep-sea ports located in the eastern part of Thailand.

The preliminary concept for Poipet PP SEZ is to develop it into a SEZ that caters to the potential light industries investors whom would like to make Cambodia as its alternative manufacturing hub to Thailand. Currently, we are in the process of preparing the necessary documentation to obtain approval for Poipet PP SEZ from the relevant Cambodian authorities for the SEZ designation.

At this juncture, we are developing the Poipet PP SEZ in two (2) phases, Phase I and Phase II. The development map is as shown below:




Phase I of the Poipet PP SEZ covers an area of approximately 34.83 HA whereby approximately 21.40 HA are allocated to accommodate a total of forty (40) factory lots with the size ranging from approximately 0.40 HA to 0.90 HA each. It will also house a commercial area, a dry port, workers' accommodation, administrative office building and other facilities and infrastructure buildings. On 10th April 2019, Sumitronics Manufacturing (Cambodia) Co.,Ltd became our first tenant in Poipet PP SEZ. They agreed to purchase 1 Ha. with option to purchase another 1 Ha. in the near future.

In addition, Phase II of the Poipet PP SEZ will commence its major infrastructure and facilities works. It will cover an area of approximately 20.67 HA whereby approximately 15.89 HA are allocated to accommodate a total of twenty-eight (28) factory lots with size ranging from approximately 0.38 HA to 0.80 HA each and the rest of the area are designed for infrastructure and service area. After collectively acquire additional land over the last two (2) years, Poi Pet PPSEZ has owned the total area of 68.4 H.a.

PHNOM PENH SPECIAL ECONOMIC ZONE
COMMITTED TO THE FUTURE

## 1.8 Risk Factors and Mitigation Plans

### 1.8.1 Interest Rate Risks

*Analysis*

Interest rate risk refers to the risk arising from the fluctuation of market interest rate which may have an adverse effect on financing costs as well as interest income of our company.

As at 31 December 2020, our company has outstanding bank borrowings amounting to 41,927,738 KHR'000 as detailed in the table below:

| Bank | Borrower | Outstanding debts as at 31 December 2020 KHR'000 | Loan type | Interest rate per annum % | Purpose of utilization |
|---|---|---|---|---|---|
| Phnom Penh Commercial Bank | PPSP | 9,567,250,602 | Fixed loan | 8.00 | Land Purchase for Oji Packaging |
| Kasikorn BANK | PPSP | 12,080,379,068 | Fixed loan | 7.00 | Rental factory of Sumitronic |
| First Commercial Bank (FCB)-USD | PPSP | 4,401,175,888 | Semi-float loan | "6months libor+5.3≥6.8 | Develop at phase III |
| First Commercial Bank (FCB)-USD | PPSP | 6,970,716,857 | Semi-float loan | 12months libor+3.7≥6.8 | Refinance ICBC |
| First Commercial Bank (FCB)-USD | PPSP | 17,895,143,034 | Semi-float loan | 12months libor+3.75%≥6.85 | Develop at phase III and Buy land PPSEZ II |
| Advanced Bank of Asia (ABA)-USD | PPSP | 5,185,947,574 | Fixed loan | 7.50 | Refinance CIMB/ FCB / support PPSEZ II |
| Advanced Bank of Asia (ABA)-KHR | PPSP | 3,390,507,437 | Fixed loan | 7.50 | Refinance CIMB/ FCB / support PPSEZ II |
| First Commercial Bank (FCB)-KHR | PPSP | 9,905,357,742 | Fixed loan | 6.90 | Refinance bank loan |
| **Total** | | **9,396,478,202** | | | |

**Remark**: LIBOR = the London Inter-bank Offered Rate

In year 2020, we successfully managed our average interest rate to about 8% per annum. Due to increasing amount of interest-bearing debt, we would still be subject to interest rate risk in the event of revision of interest rate for current outstanding borrowings if our company does not fully comply with the term and conditions of the loans, particularly in the event of overdue, overdraft, nonperformance loans or other events as specified in the respective loan agreements. In addition, our company will also be subject to interest rate risk if future borrowings to be undertaken by carrying floating interest rates. As such, any increase in interest rate could result in our company incurring higher interest expense which could have an adverse impact on the financial performance and liquidity of our company. Any increase in interest rates or interest rate volatility in the future could also adversely affect our company's ability to borrow and/or repay additional debt in the future.

Our company is also exposed to interest rate risk in terms of interest income generated from our short-term deposits. Any reduction in interest rate would have an adverse effect on the financial performance and liquidity of our company.

*Management View and Risk Mitigation*

In terms of our current outstanding borrowings, we shall ensure the compliance with the terms and conditions of the loan and payments are made on a timely manner to mitigate any revision of interest rates or charges. As for future loans, our company will use its best efforts to ensure that the interest rates that such loans carry are fixed in nature to mitigate fluctuations in interest rate.

# 2. BUSINESS OPERATION RESULTS

## 2.1 Business Operation Results & News

In year 2020, our business operation performed creditably even though it was affected by the Covid 19 pandemic. Total revenue was supported by an increase from Rental Income. In addition, we successfully increased our Rental Income to 7,943,802 KHR'000, compared the Rental Income 3,959,311 KHR'000 in year 2019.

## 2.2 Revenue Structure

We measure revenue at fair value of the consideration received or receivable, net of discounts and rebates. We recognize revenue to the extent that it is probable that the economic benefits associated with any transactions will flow to our company and the amount of revenue and the cost incurred or to be incurred in respect of such transactions can be reliably measured and specific recognition criteria have been met for each of our activities as follows:

### 2.2.1 Sale of land

Revenue from sale of land is recognized 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.

### 2.2.2 Services rendered

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

### 2.2.3 Construction Revenue

We start to recognize revenue from construction business. Due to our strategic direction, we aim to expand our construction service to serve our tenants and also customer outside the zones.

### 2.2.4 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 recognized as reduction of rental income over the lease term on a straight line basis.

Our total revenue over the last three (3) fiscal years can be tabulated as below;

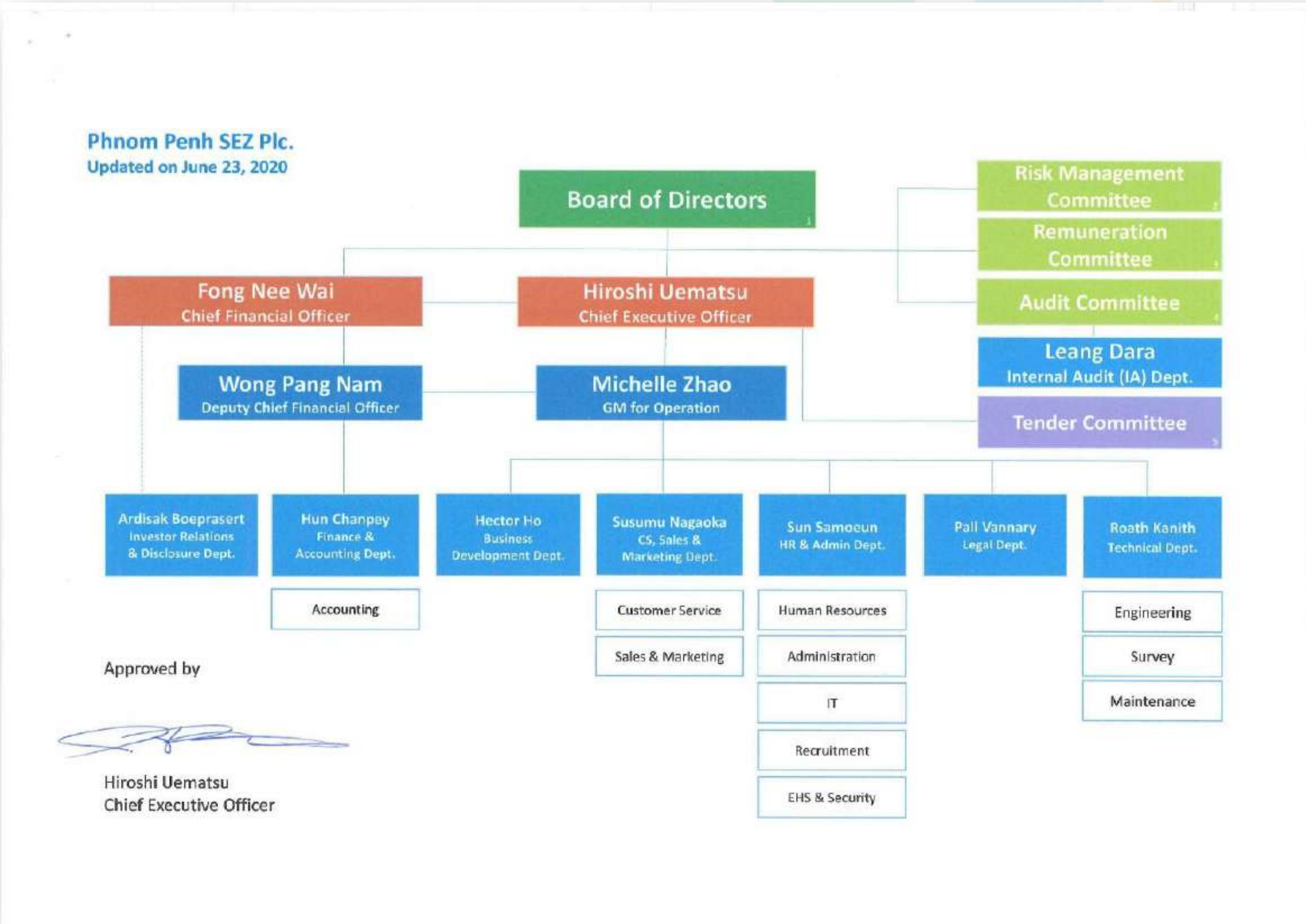
| No. | Source | 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|---|
| | | Amount | Percentage | Amount | Percentage | Amount | Percentage |
| 1 | Sales of Land | 33,898,123 | 50.24% | 134,558,297 | 88.49% | 19,546,919 | 53.77% |
| 2 | Service Rendered | 15,469,387 | 22.93% | 11,900,002 | 7.83% | 10,517,633 | 28.93% |
| 3 | Construction Revenue | 10,165,889 | 15.07% | 1,636,047 | 1.08% | 3,075,654 | 8.46% |
| 4 | Rental Income | 7,943,802 | 11.77% | 3,959,311 | 2.60% | 3,212,222 | 8.84% |
| Total | | **67,477,201** | **100.0%** | **152,053,658** | **100.0%** | **36,352,429** | 100.00% |

**Unit:** KHR'000

# 3. CORPORATE GOVERNANCE

## 3.1 Organization Chart

The corporate organization is displayed as set forth below (As of December 31, 2020);



## 3.2 Board of Directors and Committees

### A. Board of Directors

#### 1. Composition of the Board of Directors

| No. | Name | Position | Appointment Date | End Date |
|---|---|---|---|---|
| 1 | Mr. Tan Kak Khun | Non-Executive Chairman | April 26, 2019 | April 26, 2021 |
| 2 | Mr. Hiroshi Uematsu | Executive Director/CEO | April 26, 2020 | April 26, 2022 |
| 3 | Mr. Hiroshi Otsubo | Non-Executive Director | April 26, 2019 | April 26, 2021 |
| 4 | Mr. Kenji Toyota | Non-Executive Director | April 26, 2020 | April 26, 2022 |
| 5 | Mr. Hem Sovath | Independent Director | April 26, 2020 | April 26, 2022 |
| 6 | Mr. Kang Wei Geih | Independent Director | April 26, 2019 | April 26, 2021 |
| 7 | Mr.Tanate Piriyothinkul | Non-Executive Director | April 26, 2020 | April 26, 2022 |

## 3.3 Management Team

### a. Composition

| No | Name | Position |
|---|---|---|
| 1 | Mr. Hiroshi Uematsu | Chief Executive Officer |
| 2 | Mr. Fong Nee Wai | Chief Financial Officer |
| 3 | Mr. Wong Pang Nam | Deputy Chief Financial Officer |
| 4 | Dr. Ardisak Boeprasert | Investor Relations Manager/ Disclosure Officer |
| 5 | Ms. Zhao Minqian | General Manager for Operation |
| 6 | Mr. Susumu Nagaoka | Senior Manager |
| 7 | Mr. Hector Ho | Assistant to Chairman & Business Development Manager |
| 8 | Mr. Sun Samoeun | Senior Human Resources Manager |
| 9 | Ms. Hun Chanpey | Senior Manager – Finance & Accounting |
| 10 | Mr. Leang Dara | Head of Internal Audit |
| 11 | Ms. Vith Boravy | Corporate Secretary |

**Ms. Vith Boravy** is the Corporate Secretary of the company since July 2018.

**Note:** Detail information of corporate governance is separated in other report.

# 4. TRADING INFORMATION

## 4.1 Information on Equity

Type of Equity: Common Stock

Securities Code: KH 1000050000

Class of Securities: Common stock with voting right

Par Value: 2,000 KHR

Market Price: 2,180 KHR

Total Number of Shares(s): 71,875,000 Share(s)

Market Capitalization: 185,437,500,000 KHR

Listed Exchange: Cambodia Securities Exchange (CSX)

Listing Date: 30 May 2016

## 4.2 Price & Trade Volume

| Stock Ownership | | January 2020 | February 2020 | March 2020 | April 2020 | May 2020 | June 2020 |
|---|---|---|---|---|---|---|---|
| Trading Price(KHR) | Max | 2,640 | 2,500 | 2,690 | 2,550 | 2,340 | 2,520 |
| | Average | 2,555 | 2,365 | 2,425 | 2,375 | 2,185 | 2,355 |
| | Low | 2,470 | 2,230 | 2,160 | 2,200 | 2,030 | 2,190 |
| Trade Volume (No. of Share) | Max | 62,719 | 6,489 | 4,522 | 17,308 | 22,977 | 9,934 |
| | Average | 31,360 | 3,338 | 2,264 | 8,654 | 11,651 | 4,967 |
| | Low | 0 | 186 | 6 | 0 | 325 | 0 |

| Stock Ownership | | July 2020 | August 2020 | September 2020 | October 2020 | November 2020 | December 2020 |
|---|---|---|---|---|---|---|---|
| Trading Price (KHR) | Max | 2,350 | 2,500 | 2,350 | 2,300 | 1,950 | 1,620 |
| | Average | 2,280 | 2,285 | 2,275 | 2,100 | 1,750 | 1,385 |
| | Low | 2,210 | 2,070 | 2,200 | 1,900 | 1,550 | 1,150 |
| Trade Volume (No. of Share) | Max | 6,197 | 8,746 | 11,047 | 88,447 | 132,797 | 126,956 |
| | Average | 3,099 | 4,373 | 5,524 | 44,224 | 68,245 | 64,159 |
| | Low | 0 | 0 | 0 | 0 | 3,693 | 1,362 |

## 4.3 Controlling Shareholders

(As of December 31, 2020)

| Description | Nationality | Shareholder Type | Number | Number of Shares | Percentage |
|---|---|---|---|---|---|
| From 30% | Cambodian | Individual | 1 | 32,410,000 | 45.09% |
| | | Institution | - | - | - |
| | non-Cambodian | Individual | - | - | - |
| | | Institution | - | - | - |

## 4.4 Substantial Shareholders

| Description | Nationality | Shareholder Type | Number | Number of Shares | Percentage |
|---|---|---|---|---|---|
| From 5% to less than 30% | Cambodian | Individual | - | - | - |
| | | Institution | - | - | - |
| | non-Cambodian | Individual | 1 | 6,499,114 | 9.04% |
| | | Institution | 2 | 20,686,886 | 28.78% |

## 4.5 Information on dividend distribution in the last 3 (three) years (for equity listed entity)

| Details of dividend distribution | Year 2019 | Year 2018 | Year 2017 |
|---|---|---|---|
| Net profit | N/A | 11,803,584,000 KHR* | 6,785,630,000 KHR |
| Total cash dividend | N/A | 2,360,716,800 KHR | 1.389.000.000 KHR |
| Total share dividend | N/A | N/A | N/A |
| Other dividend | N/A | N/A | N/A |
| Dividend payout ratio (%) | N/A | 20% | 20.47% |
| Dividend yield (%) | N/A | 1.13 | 0.85 |
| Dividend per share | N/A | 32.84 KHR | 24 KHR |

*Before restatement

# 5. INTERNAL AUDIT REPORT

# Annual Internal Audit Report 2020

**1. Introduction**

The Group has an adequately resourced internal audit department to assist the Board in maintaining a sound system of internal control. The Internal Audit Department ("the Department") reports to the Audit Committee and is independent of the activities its audits.

**2. Audit Objective and Scope**

The role of the Department is to undertake regular and systematic review of the system of internal control so as to provide sufficient assurance that the established system of control, policies and procedures are effective and complied with.

The scope of the Internal Audit performed on Group financial information and operations are:
- To appraise the reliability, integrity, and timeliness of significant financial, managerial, and operating information and the adequacy of the internal controls employed over the compilation and reporting of such information.
- To ensure compliance with policies, procedures, standards, laws, and regulations.
- To assess measures taken to safeguard assets, including tests of existence and ownership.
- To assess whether Group's resources are being managed in an economical, efficient, and effective manner.

The Internal Audit Department ("the Department") also prepare more detailed reports on periodic (quarterly, semi-annual) internal audit reports for management Board and Audit Committee.

The purpose of drawing up the annual internal audit report is to inform the management board and the audit committee:
- On the work of the Department and the implementation of the planned internal audit activities in the reporting period;
- On the summary of significant findings of internal audit in the reporting period including the assessment of the appropriateness and effectiveness of risk management and functioning of the internal control system of the audited area;
- On the content and findings from the quality assurance and improvement program of the Department Operation.

**3. Overview of the Work of the Internal Audit Department**

In 2020, the Internal Audit Department performed its activities on the basis of the adopted plans for the Department operations, mostly on the basis of the annual internal audit work plan of the year 2020 adopted by the Audit Committee on 6 Nov 2019. Regular audit progress reports have been submitted to the Audit Committee during the year 2020 as below:

| No | Company/Department | Number of IA reports | Number of issues finding | Implementation | Outstanding issues |
|---|---|---|---|---|---|
| 1 | Phnom Penh SEZ PLC | | | | |
| | i. Accounting and Finance Department | 4 | 25 | 20 | 5 |
| | ii. Human Recourse and Admin Department | 2 | 5 | 2 | 3 |
| | iii. Operation and Project Department | 2 | 4 | 1 | 3 |
| 2 | Sahas Security Co.,Ltd | 2 | 14 | 7 | 7 |
| 3 | Poi Pet PPSEZ Co.,Ltd | 2 | 9 | 5 | 4 |
| 4 | Sahas E&C Co.,Ltd | 2 | 8 | 4 | 4 |
| 5 | Phnom Penh SEZ II Co., Ltd | 1 | 6 | 4 | 2 |
| 6 | Sahas Property Co., Ltd | 1 | 6 | 5 | 1 |
| 7 | Sahas A&C Co., Ltd | 1 | 5 | 3 | 2 |
| **Total** | | **17** | **82** | **51** | **31** |

**4. Conclusion**

The internal audit focused on key strategic and operational risk areas. The outcomes of these audit reviews may highlight control weaknesses that impact on the overall Company's business operation. In conclusion, we are confident that the corporate governance, risk management and internal control measures have been suitably designed and applied effectively in the following assurance domains:

- Financial governance and management
- Operational services and functional management
- Capital and estate management.
- Corporate governance, risk management and regulatory compliance
- Strategic planning, performance management and reporting

**Audit Committee Chairman**

Mr. Kang Wei Geih
Date: 29 March 2021

**Head of Internal Audit**

Mr. Leang Dara
Date: 29 March 2021

# 6. AUDITED FINANCIAL STATEMENTS

# Report of the Board of Directors' Responsibility for Financial Statements

The Board of Directors of the Company is responsible for providing the reasonable assurance for the financial statements to represent the Company's financial status and performance for the year ended 31 December 2020. The Board of Directors emphasized on its duties and responsibilities as the directors of a listed company on Cambodia Securities Exchange to control the business in accordance with the good corporate governance. The Board of Directors is responsible for the financial statements to be accurate, complete, transparent and appropriate to maintain the Company's assets, prevent from fraud and abnormalities, as well as in accordance with generally accepted accounting principles for the interests of shareholders and investors in acknowledging correct and reasonable information of the Company's financial status and performance.

The Board of Directors has appointed an Audit Committee with full qualifications as required by Securities and Exchange Regulator of Cambodia (SERC) to examine the preparation of the financial statements to reflect their correctness and to disclose any related transactions or conflicts of interest, if any, by major shareholders. The responsibilities of the Audit Committee include an evaluation of internal controls and internal audit for their efficiency in connection with rules and regulations of SERC and include the nomination of Auditor and audit fee for appointment by shareholders.

The Board of Directors views that the audited consolidated financial statements of Phnom Penh SEZ PLC. For the year ended 31 December 2020 as reviewed by the Audit Committee were presented as complete and reliable in compliance with all the generally accepted accounting principles and standards and all governing rules and regulations. All members of the Board of Directors ***approved the Audited Financial Statements 2020*** pursuant to Board of Directors' Meeting on 30 March 2021.

Phnom Penh, March 31, 2021

PHNOM PENH SEZ PLC.
KINGDOM OF CAMBODIA

Tan Kak Khun

Non-Executive Chairman

**PHNOM PENH SEZ PLC.**
**(Company No. 00006448)**
(Incorporated in Cambodia)

# DIRECTORS' REPORT
# AND
# AUDITED FINANCIAL STATEMENTS
# FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

*Company No. 00006448*

**PHNOM PENH SEZ PLC.**
(Incorporated in Cambodia)

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

| **CONTENTS** | **Page** |
|---|---|

**PHNOM PENH SEZ PLC.**
(Incorporated in Cambodia)

## DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

## 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 its subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

| | Group | |
|---|---|---|
| | **USD** | **KHR'000** |
| Profit for the financial year, attributable to: | | |
| Owners of the Company | 816,054 | 3,300,940 |
| Non-controlling interests | 250,888 | 1,014,842 |
| | 1,066,942 | 4,315,782 |

| | Company | |
|---|---|---|
| | **USD** | **KHR'000** |
| Profit for the financial year | 628,462 | 2,542,128 |

## RESERVES AND PROVISIONS

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

## BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, 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 had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent.

## DIRECTORS' REPORT (CONTINUED)

### CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

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 of the Company misleading.

### VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of 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 of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

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

In the opinion of the directors, no contingent liabilities or other liabilities of the Group and of the Company have become enforceable, or are likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and 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 the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

## DIRECTORS' REPORT (CONTINUED)

### ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the Directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) except as disclosed in Note 30 to the financial statements, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

### DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Hem Sovath
Hiroshi Uematsu
Hiroshi Otsubo
Kang Wei Geih
Kenji Toyota
Tan Kak Khun
Tanate Piriyothinkul

### 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 body corporate.

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 25 to the financial statements.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

**DIRECTORS' REPORT (CONTINUED)**

**SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

Details of significant events subsequent to the end of the financial year are disclosed in Note 30 to the financial statements.

**AUDITORS**

The auditors, Messrs. Baker Tilly (Cambodia) Co., Ltd., have expressed their willingness to continue in office.

**DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS**

The directors of the Company are responsible for ascertaining that the financial statements of the Group and of the Company give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and their financial performance and their cash flows for the financial year then ended. In preparing these financial statements, the directors of the Company are required to:

(i) adopt appropriate accounting policies in accordance with Cambodian International Financial Reporting Standards ("CIFRSs"), which are supported by reasonable and prudent judgement and estimates, and then apply them consistently;

(ii) comply with the disclosure requirements of CIFRSs or, if there have been any departures from such standards, in the interest of fair presentation, ensure that this has been appropriately disclosed, explained and quantified in the financial statements;

(iii) maintain adequate accounting records that enable the Group and the Company to prepare their financial statements under CIFRSs and an effective system of internal controls;

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

(v) effectively control and direct the Group and the Company and be involved in all material decisions affecting its operations and performance, and ascertain that such matters have been properly reflected in the financial statements.

The directors confirm that the Group and the Company have complied with the above requirements in preparing their financial statements.

**PHNOM PENH SEZ PLC.**
(Incorporated in Cambodia)

**DIRECTORS' REPORT (CONTINUED)**

**APPROVAL OF THE FINANCIAL STATEMENTS**

I, **HIROSHI UEMATSU,** being one of the directors of PHNOM PENH SEZ PLC., do hereby state that in the opinion of the directors, the accompanying financial statements are properly 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 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors,

............................................................

**HIROSHI UEMATSU**
Director

Date: 30 March 2021

*Company No. 00006448*

**PHNOM PENH SEZ PLC.**
(Incorporated in Cambodia)

**STATEMENTS OF FINANCIAL POSITION**
**AT 31 DECEMBER 2020**

| | | Group | | | |
|---|---|---|---|---|---|
| | | 2020 | | 2019 | |
| | Note | USD | KHR'000 | USD | KHR'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 5 | 13,584,990 | 54,951,285 | 17,780,328 | 72,454,837 |
| Investment properties | 6 | 9,998,571 | 40,444,219 | 3,394,493 | 13,832,559 |
| Investment in subsidiaries | 7 | - | - | - | - |
| Investment in associates | 8 | 10,876,126 | 43,993,930 | 10,212,183 | 41,614,646 |
| **Total non-current assets** | | 34,459,687 | 139,389,434 | 31,387,004 | 127,902,042 |
| **Current assets** | | | | | |
| Inventories | 9 | 36,499,627 | 147,640,991 | 34,602,982 | 141,007,152 |
| Trade and other receivables | 10 | 22,365,303 | 90,467,650 | 26,496,605 | 107,973,664 |
| Cash and cash equivalents | 11 | 1,622,634 | 6,563,555 | 1,341,410 | 5,466,246 |
| **Total current assets** | | 60,487,564 | 244,672,196 | 62,440,997 | 254,447,062 |
| **TOTAL ASSETS** | | 94,947,251 | 384,061,630 | 93,828,001 | 382,349,104 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 12 | 35,937,500 | 145,367,188 | 35,937,500 | 146,445,313 |
| Share premium | 13 | 4,575,051 | 18,506,081 | 4,575,051 | 18,643,333 |
| Retained earnings | | 18,475,706 | 74,734,232 | 17,659,652 | 71,963,082 |
| | | 58,988,257 | 238,607,501 | 58,172,203 | 237,051,728 |
| **Non-controlling interests** | | 1,082,465 | 4,378,570 | 831,577 | 3,388,676 |
| **TOTAL EQUITY** | | 60,070,722 | 242,986,071 | 59,003,780 | 240,440,404 |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 14 | 15,332,994 | 62,021,960 | 12,452,339 | 50,743,281 |
| Contract liabilities | 15 | 8,768,000 | 35,466,560 | 9,316,000 | 37,962,700 |
| **Total non-current liabilities** | | 24,100,994 | 97,488,520 | 21,768,339 | 88,705,981 |
| **Current liabilities** | | | | | |
| Loans and borrowings | 14 | 3,339,821 | 13,509,576 | 5,218,838 | 21,266,765 |
| Current tax liabilities | | 2,976 | 12,038 | 1,460,730 | 5,952,475 |
| Trade and other payables | 16 | 6,884,738 | 27,848,765 | 5,828,314 | 23,750,379 |
| Contract liabilities | 15 | 548,000 | 2,216,660 | 548,000 | 2,233,100 |
| **Total current liabilities** | | 10,775,535 | 43,587,039 | 13,055,882 | 53,202,719 |
| **TOTAL LIABILITIES** | | 34,876,529 | 141,075,559 | 34,824,221 | 141,908,700 |
| **TOTAL EQUITY AND LIABILITIES** | | 94,947,251 | 384,061,630 | 93,828,001 | 382,349,104 |

*Company No. 00006448*

**PHNOM PENH SEZ PLC.**
(Incorporated in Cambodia)

**STATEMENTS OF FINANCIAL POSITION**
**AT 31 DECEMBER 2020 (CONTINUED)**

| | | Company | | | |
|---|---|---|---|---|---|
| | | 2020 | | 2019 | |
| | Note | USD | KHR'000 | USD | KHR'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 5 | 13,735,616 | 55,560,567 | 17,111,765 | 69,730,442 |
| Investment properties | 6 | 8,112,341 | 32,814,419 | 3,394,493 | 13,832,559 |
| Investment in subsidiaries | 7 | 21,800,000 | 88,181,000 | 15,605,000 | 63,590,375 |
| Investment in associates | 8 | 10,876,126 | 43,993,930 | 9,997,262 | 40,738,843 |
| **Total non-current assets** | | 54,524,083 | 220,549,916 | 46,108,520 | 187,892,219 |
| **Current assets** | | | | | |
| Inventories | 9 | 12,778,447 | 51,688,818 | 14,460,409 | 58,926,167 |
| Trade and other receivables | 10 | 26,242,491 | 106,150,876 | 34,111,343 | 139,003,723 |
| Cash and cash equivalents | 11 | 278,243 | 1,125,492 | 843,998 | 3,439,292 |
| **Total current assets** | | 39,299,181 | 158,965,186 | 49,415,750 | 201,369,182 |
| **TOTAL ASSETS** | | 93,823,264 | 379,515,102 | 95,524,270 | 389,261,401 |
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 12 | 35,937,500 | 145,367,188 | 35,937,500 | 146,445,313 |
| Share premium | 13 | 4,575,051 | 18,506,081 | 4,575,051 | 18,643,333 |
| Retained earnings | | 21,021,456 | 85,031,790 | 20,392,994 | 83,101,451 |
| **TOTAL EQUITY** | | 61,534,007 | 248,905,059 | 60,905,545 | 248,190,097 |
| **Non-current liabilities** | | | | | |
| Loans and borrowings | 14 | 14,021,933 | 56,718,718 | 11,462,078 | 46,707,968 |
| Contract liabilities | 15 | 8,768,000 | 35,466,560 | 9,316,000 | 37,962,700 |
| **Total non-current liabilities** | | 22,789,933 | 92,185,278 | 20,778,078 | 84,670,668 |
| **Current liabilities** | | | | | |
| Loans and borrowings | 14 | 3,209,454 | 12,982,241 | 5,076,763 | 20,687,809 |
| Current tax liabilities | | - | - | 1,456,262 | 5,934,267 |
| Trade and other payables | 16 | 5,741,870 | 23,225,864 | 6,759,622 | 27,545,460 |
| Contract liabilities | 15 | 548,000 | 2,216,660 | 548,000 | 2,233,100 |
| **Total current liabilities** | | 9,499,324 | 38,424,765 | 13,840,647 | 56,400,636 |
| **TOTAL LIABILITIES** | | 32,289,257 | 130,610,043 | 34,618,725 | 141,071,304 |
| **TOTAL EQUITY AND LIABILITIES** | | 93,823,264 | 379,515,102 | 95,524,270 | 389,261,401 |

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

**PHNOM PENH SEZ PLC.**
(Incorporated in Cambodia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2020**

| | | Group | | | |
|---|---|---|---|---|---|
| | | 2020 | | 2019 | |
| | Note | USD | KHR'000 | USD | KHR'000 |
| Revenue | 17 | 16,681,632 | 67,477,201 | 37,313,781 | 152,053,658 |
| Cost of sales | | (8,542,705) | (34,555,240) | (14,553,269) | (59,304,571) |
| **Gross profit** | | 8,138,927 | 32,921,961 | 22,760,512 | 92,749,087 |
| Other income | 18 | 35,783 | 144,742 | 372,879 | 1,519,482 |
| Administrative expenses | | (5,741,854) | (23,225,799) | (6,269,182) | (25,546,917) |
| **Operating profit** | | 2,432,856 | 9,840,904 | 16,864,209 | 68,721,652 |
| Finance costs | 19 | (1,453,065) | (5,877,648) | (1,184,070) | (4,825,085) |
| Share of results of associates | | 663,945 | 2,685,658 | 976,560 | 3,979,482 |
| **Profit before tax** | 20 | 1,643,736 | 6,648,914 | 16,656,699 | 67,876,049 |
| Income tax expense | 21 | (576,794) | (2,333,132) | (1,531,279) | (6,239,962) |
| **Profit for the financial year, representing total comprehensive income** | | 1,066,942 | 4,315,782 | 15,125,420 | 61,636,087 |
| **Profit attributable to:** | | | | | |
| Owners of the Company | | 816,054 | 3,300,940 | 14,761,820 | 60,154,417 |
| Non-controlling interests | | 250,888 | 1,014,842 | 363,600 | 1,481,670 |
| | | 1,066,942 | 4,315,782 | 15,125,420 | 61,636,087 |
| **Total comprehensive income attributable to:** | | | | | |
| Owners of the Company | | 816,054 | 3,300,940 | 14,761,820 | 60,154,417 |
| Non-controlling interests | | 250,888 | 1,014,842 | 363,600 | 1,481,670 |
| | | 1,066,942 | 4,315,782 | 15,125,420 | 61,636,087 |
| **Basic/diluted earnings per share** | 22 | 0.01 | 0.05 | 0.21 | 0.84 |

**PHNOM PENH SEZ PLC.**
(Incorporated in Cambodia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

| | | Company | | | |
|---|---|---|---|---|---|
| | | 2020 | | 2019 | |
| | Note | USD | KHR'000 | USD | KHR'000 |
| Revenue | 17 | 6,620,454 | 26,779,736 | 36,440,016 | 148,493,065 |
| Cost of sales | | (2,510,482) | (10,154,900) | (13,891,925) | (56,609,594) |
| **Gross profit** | | 4,109,972 | 16,624,836 | 22,548,091 | 91,883,471 |
| Other income | 18 | 1,235,470 | 4,997,476 | 369,597 | 1,506,108 |
| Administrative expenses | | (4,178,579) | (16,902,352) | (5,019,023) | (20,452,519) |
| **Operating profit** | | 1,166,863 | 4,719,960 | 17,898,665 | 72,937,060 |
| Finance costs | 19 | (1,348,830) | (5,456,017) | (1,134,788) | (4,624,261) |
| Share of results of associates | | 878,866 | 3,555,013 | 761,639 | 3,103,679 |
| **Profit before tax** | 20 | 696,899 | 2,818,956 | 17,525,516 | 71,416,478 |
| Income tax expense | 21 | (68,437) | (276,828) | (1,456,262) | (5,934,268) |
| **Profit for the financial year, representing total comprehensive income** | | 628,462 | 2,542,128 | 16,069,254 | 65,482,210 |

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

*Company No. 00006448*

**PHNOM PENH SEZ PLC.**
(Incorporated in Cambodia)

**STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2020**

| | | Attributable to owners of the Company | | | | Non- | |
|---|---|---|---|---|---|---|---|
| | Note | Share capital USD | Share premium USD | Retained earnings USD | Sub-total USD | controlling interests USD | Total equity USD |
| **Group** | | | | | | | |
| **At 1 January 2019** | | 35,937,500 | 4,575,051 | 3,476,501 | 43,989,052 | 467,977 | 44,457,029 |
| Profit for the financial year, representing total comprehensive income | | - | - | 14,761,820 | 14,761,820 | 363,600 | 15,125,420 |
| **Transaction with owners** | | | | | | | |
| Dividend paid | 23 | - | - | (578,669) | (578,669) | - | (578,669) |
| **At 31 December 2019** | | 35,937,500 | 4,575,051 | 17,659,652 | 58,172,203 | 831,577 | 59,003,780 |
| Profit for the financial year, representing total comprehensive income | | - | - | 816,054 | 816,054 | 250,888 | 1,066,942 |
| **At 31 December 2020** | | 35,937,500 | 4,575,051 | 18,475,706 | 58,988,257 | 1,082,465 | 60,070,722 |
| **At 31 December 2020 (KHR'000)** | | 145,367,188 | 18,506,081 | 74,734,232 | 238,607,501 | 4,378,570 | 242,986,071 |

**PHNOM PENH SEZ PLC.**
(Incorporated in Cambodia)

**STATEMENTS OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

| | Note | Share capital USD | Share premium USD | Retained earnings USD | Total equity USD |
|---|---|---|---|---|---|
| **Company** | | | | | |
| **At 1 January 2019** | | 35,937,500 | 4,575,051 | 4,902,409 | 45,414,960 |
| Profit for the financial year, representing total comprehensive income | | - | - | 16,069,254 | 16,069,254 |
| **Transaction with owners** | | | | | |
| Dividend paid | 23 | - | - | (578,669) | (578,669) |
| **At 31 December 2019** | | 35,937,500 | 4,575,051 | 20,392,994 | 60,905,545 |
| Profit for the financial year, representing total comprehensive income | | - | - | 628,462 | 628,462 |
| **At 31 December 2020** | | 35,937,500 | 4,575,051 | 21,021,456 | 61,534,007 |
| **At 31 December 2020 (KHR'000)** | | 145,367,188 | 18,506,081 | 85,031,790 | 248,905,059 |

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

**PHNOM PENH SEZ PLC.**
(Incorporated in Cambodia)

**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 DECEMBER 2020**

| | | Group | | | |
|---|---|---|---|---|---|
| | | 2020 | | 2019 | |
| | Note | USD | KHR'000 | USD | KHR'000 |
| **Cash flows from operating activities** | | | | | |
| **Profit before tax** | | **1.643.736** | **6.648.914** | **16.656.699** | **67.876.049** |
| Adjustments for non-cash items: | | | | | |
| Deferred revenue | | (548.000) | (2.216.660) | (13.971.371) | (56.933.337) |
| Depreciation for: | | | | | |
| - property, plant and equipment | | 1.276.495 | 5.163.422 | 1.133.068 | 4.617.252 |
| - investment properties | | 465.773 | 1.884.052 | 214.114 | 872.515 |
| Property, plant and equipment written off | | 2.138 | 8.648 | - | - |
| Finance costs | | 1.453.065 | 5.877.648 | 1.184.070 | 4.825.085 |
| Interest income | | (378) | (1.529) | (223) | (909) |
| Share of results of associates | | (663.943) | (2.685.649) | (976.560) | (3.979.482) |
| **Operating profit before changes in working capital** | | **3.628.886** | **14.678.846** | **4.239.797** | **17.277.173** |
| **Changes in working capital** | | | | | |
| Inventories | | (1.400.794) | (5.666.212) | 5.269.274 | 21.472.292 |
| Trade and other receivables | | 3.678.217 | 14.878.388 | 880.843 | 3.589.435 |
| Contract assets | | - | - | 29.572 | 120.506 |
| Trade and other payables | | 858.001 | 3.470.610 | (8.239.117) | (33.574.402) |
| Contract liabilities | | - | - | (61.989) | (252.605) |
| **Cash generated from operations** | | **6.764.310** | **27.361.632** | **2.118.380** | **8.632.399** |
| Tax paid | | (2.034.548) | (8.229.747) | (80.398) | (327.622) |
| **Net cash generated from operating activities** | | **4.729.762** | **19.131.885** | **2.037.982** | **8.304.777** |

**PHNOM PENH SEZ PLC.**
(Incorporated in Cambodia)

**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

| | | Group | | | |
|---|---|---|---|---|---|
| | | 2020 | | 2019 | |
| | Note | USD | KHR'000 | USD | KHR'000 |
| **Cash flows from investing activities** | | | | | |
| Additions of: | | | | | |
| - investment in associates | | - | - | (245.000) | (998.375) |
| - property, plant and equipment | | (3.030.313) | (12.257.616) | (8.761.372) | (35.702.591) |
| - investment properties | | (1.618.684) | (6.547.577) | - | - |
| Interest received | | 378 | 1.529 | 223 | 909 |
| (Advances to)/Repayments from: | | | | | |
| - associates | | 457.083 | 1.848.901 | 454.269 | 1.851.146 |
| - related parties | | 783.859 | 3.170.710 | 529.519 | 2.157.790 |
| - directors | | (777.088) | (3.143.321) | (7.417) | (30.224) |
| - shareholders | | 187.654 | 759.061 | (4.583) | (18.676) |
| **Net cash used in investing activities** | | **(3.997.111)** | **(16.168.313)** | **(8.034.361)** | **(32.740.021)** |
| **Cash flows from financing activities** | | | | | |
| Dividend paid | **23** | - | - | (578.669) | (2.358.076) |
| Interest paid | | (1.453.065) | (5.877.648) | (1.184.070) | (4.825.085) |
| Repayment of loans and borrowings | | (5.009.242) | (20.262.384) | (2.963.800) | (12.077.486) |
| Drawdown of loans and borrowings | | 6.010.880 | 24.314.010 | 10.200.000 | 41.565.000 |
| **Net cash (used in)/generated from financing activities** | | **(451.427)** | **(1.826.022)** | **5.473.461** | **22.304.353** |
| **Net increase/(decrease) in cash and cash equivalents** | | **281.224** | **1.137.550** | **(522.918)** | **(2.130.891)** |
| Cash and cash equivalents at 1 January | | 1.341.410 | 5.426.005 | 1.864.328 | 7.597.137 |
| **Cash and cash equivalents at 31 December** | **11** | **1.622.634** | **6.563.555** | **1.341.410** | **5.466.246** |

**PHNOM PENH SEZ PLC.**
(Incorporated in Cambodia)

**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

| | | Company | | | |
|---|---|---|---|---|---|
| | | 2020 | | 2019 | |
| | Note | USD | KHR'000 | USD | KHR'000 |
| **Cash flows from operating activities** | | | | | |
| **Profit before tax** | | **696,899** | **2,818,956** | **17,525,516** | **71,416,478** |
| Adjustments for non-cash items: | | | | | |
| Deferred revenue | | (548,000) | (2,216,660) | (13,971,371) | (56,933,337) |
| Depreciation for: | | | | | |
| - property, plant and equipment | | 999,661 | 4,043,629 | 1,006,341 | 4,100,840 |
| - investment properties | | 395,030 | 1,597,896 | 214,114 | 872,515 |
| Finance costs | | 1,348,830 | 5,456,017 | 1,134,788 | 4,624,261 |
| Interest income | | (360) | (1,456) | (223) | (909) |
| Share of results of associates | | (878,866) | (3,555,013) | (761,639) | (3,103,679) |
| **Operating profit before changes in working capital** | | **2,013,194** | **8,143,369** | **5,147,526** | **20,976,169** |
| **Changes in working capital** | | | | | |
| Inventories | | 1,889,307 | 7,642,247 | 10,255,649 | 41,791,770 |
| Trade and other receivables | | 5,176,206 | 20,937,753 | 3,160,930 | 12,880,791 |
| Trade and other payables | | (1,603,540) | (6,486,319) | (6,863,140) | (27,967,296) |
| **Cash generated from operations** | | **7,475,167** | **30,237,050** | **11,700,965** | **47,681,434** |
| Tax paid | | (1,524,699) | (6,167,407) | - | - |
| **Net cash generated from operating activities** | | **5,950,468** | **24,069,643** | **11,700,965** | **47,681,434** |

**PHNOM PENH SEZ PLC.**
(Incorporated in Cambodia)

**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 DECEMBER 2020 (CONTINUED)**

| | | Company | | | |
|---|---|---|---|---|---|
| | | 2020 | | 2019 | |
| | Note | USD | KHR'000 | USD | KHR'000 |
| **Cash flows from investing activities** | | | | | |
| Additions of: | | | | | |
| - investment in associates | | - | - | (245,000) | (998,375) |
| - investment in subsidiaries | | (6,195,000) | (25,058,775) | (10,000,000) | (40,750,000) |
| - property, plant and equipment | | (1,003,857) | (4,060,610) | (5,886,650) | (23,988,099) |
| - investment properties | | (1,939,878) | (7,846,807) | - | - |
| Interest received | | 360 | 1,456 | 223 | 909 |
| (Advances to)/Repayments from: | | | | | |
| - associates | | 518,173 | 2,096,011 | 888,324 | 3,619,920 |
| - subsidiaries | | 2,563,518 | 10,369,431 | (1,493,783) | (6,087,166) |
| - related parties | | 786,179 | 3,180,094 | (12,552) | (51,149) |
| - directors | | (777,088) | (3,143,313) | (9,117) | (37,152) |
| - shareholders | | 187,654 | 759,060 | (4,583) | (18,676) |
| **Net cash used in investing activities** | | **(5,859,939)** | **(23,703,453)** | **(16,763,138)** | **(68,309,788)** |
| **Cash flows from financing activities** | | | | | |
| Dividend paid | **23** | - | - | (578,669) | (2,358,076) |
| Interest paid | | (1,348,830) | (5,456,017) | (1,134,788) | (4,624,261) |
| Repayment of loans and borrowings | | (4,818,334) | (19,490,161) | (2,896,136) | (11,801,755) |
| Drawdown of loans and borrowings | | 5,510,880 | 22,291,508 | 9,000,000 | 36,675,000 |
| **Net cash (used in)/generated from financing activities** | | **(656,284)** | **(2,654,670)** | **4,390,407** | **17,890,908** |
| **Net decrease in cash and cash equivalents** | | **(565,755)** | **(2,288,480)** | **(671,766)** | **(2,737,446)** |
| Cash and cash equivalents at 1 January | | 843,998 | 3,413,972 | 1,515,764 | 6,176,738 |
| **Cash and cash equivalents at 31 December** | **11** | **278,243** | **1,125,492** | **843,998** | **3,439,292** |

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

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

PHNOM PENH SEZ PLC. ("the Company") is a public limited liability company, incorporated and domiciled in the Kingdom of Cambodia and is listed on the Cambodia Securities Exchange.

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

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 its subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2021.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Cambodian International Financial Reporting Standards ("CIFRSs").

#### 2.2 Standards, amendments to published standards and interpretations that are effective.

The Group and the Company have applied the following standards and amendments for the first time for the financial year beginning on 1 January 2020:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to CIAS 1 and CIAS 8 'Definition of Material'
- Amendments to CIFRS 3 "Definition of a Business"

The adoption of standards and amendments listed above did not have any impact on the current period or any prior period and is not likely to affect the future periods.

#### 2.3 Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards are effective for the financial year beginning after 1 January 2020. None of these is expected to have a significant effect on the financial statements of the Group and the Company, except the following set out below:

- Amendments to CIAS 16 "Proceeds before Intended Use"
- Amendments to CIFRS 3 "Reference to the Conceptual Framework"
- Amendments to CIAS 37 "Onerous Contracts – Cost of Fulfilling a Contract"
- Amendments to CIAS 1 "Classification of Liabilities as Current or Non-Current"
- Annual Improvements to CIFRSs 2018 – 2020 Cycle

The effects of the above amendments to the existing standards and interpretation are currently being assessed by the Directors.

**NOTES TO THE FINANCIAL STATEMENTS**

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Standards and amendments that have been issued but not yet effective (continued)

- Amendments to CIAS 16 'Proceeds before intended use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

  The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

  The amendments shall be applied retrospectively.

- Amendments to CIFRS 3 'Reference to Conceptual Framework' (effective 1 January 2022) replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

  The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of CIAS 37 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

  The amendments shall be applied prospectively.

- Amendments to CIAS 37 'onerous contracts—cost of fulfilling a contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

  The amendments shall be applied retrospectively.

- Amendments to CIAS 1 'Classification of liabilities as current or non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date. The assessment of whether an entity has the right to defer settlement of a liability at reporting date is not affected by expectations of the entity or events after the reporting date.

  The amendments shall be applied retrospectively.

**NOTES TO THE FINANCIAL STATEMENTS**

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 Functional and presentation currency

The national currency of Cambodia is the Khmer Riel ("KHR"). However, as the Group and the Company transact their businesses and maintain their accounting records primarily in United States Dollar ("USD"), the Board of Directors has determined the USD to be the Group's and the Company's currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Group and the Company.

Translation to KHR are presented in the statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity, statements of cash flows and the notes to the financial statements for the financial year ended 31 December 2020 of the Group and of the Company using the official rate of exchange regulated by National Bank of Cambodia as at the reporting date at USD1 to KHR4,045 (2019: USD1 to KHR4,075).

These convenience translations should not be construed as representations that the USD amounts represent, or have been or could be, converted into KHR at that or any other rate.

### 2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries and associates used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

#### (a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved by stages, the acquisition-date fair value of the previously held equity interest in the acquire; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of consolidation (continued)

#### (a) Subsidiaries and business combination (continued)

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interest and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture or a financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

#### (b) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

#### (c) Associates

Associates are entities over which the Group has significant influence, but not control, to the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.1 Basis of consolidation (continued)

#### (c) Associates (continued)

Under the equity method, the investment in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognised changes in the Group’s share of net assets of the associate.

When the Group’s share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

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. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group’s interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. 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.

#### (d) Transactions eliminated on consolidation

Intra-group balances and transactions, any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### 3.2 Separate financial statements

In the Company’s statement of financial position, investment in subsidiaries and associates are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.10(b) to the financial statements.

Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company’s investment in the subsidiaries.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.3 Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of reporting period. Exchange gains and losses are recognised in profit and loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the dates the fair value was determined.

### 3.4 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments.

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under CIFRS 15 Revenue from Contracts with Customers.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Financial instruments (continued)

#### (a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

##### (i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

**Debt instruments**

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their debt instruments:

- **Amortised cost**

  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.10(a) to the financial statements. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Financial instruments (continued)**

**(a) Subsequent measurement (continued)**

The Group and the Company categorise the financial instruments as follows (continued):

**(i) Financial assets (continued)**

**Debt instruments (continued)**

- **Fair value through other comprehensive income ("FVOCI")**

  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3.10(a) to the financial statements. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

- **Fair value through profit or loss ("FVPL")**

  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.4 Financial instruments (continued)**

**(a) Subsequent measurement (continued)**

The Group and the Company categorise the financial instruments as follows (continued):

**(i) Financial assets (continued)**

**Equity instruments**

The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

**(ii) Financial liabilities**

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

**Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in CIFRS 9 Financial Instruments are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Financial instruments (continued)

**(a) Subsequent measurement (continued)**

The Group and the Company categorise the financial instruments as follows (continued):

**(ii) Financial liabilities (continued)**

**<u>Financial liabilities at amortised cost</u>**

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

**(b) Financial guarantee contracts**

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.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with CIFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of CIFRS 15.

**(c) Derecognition**

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire, or

(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.4 Financial instruments (continued)

#### (c) Derecognition (continued)

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### (d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.5 Property, plant and equipment

#### (a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b) to the financial statements.

Cost of assets, includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.16 to the financial statements.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

#### (b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

#### (c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

| | **Years** |
|---|---|
| Building and infrastruture | 20 |
| Machinery | 10 |
| Motor vehicles, equipment and computers | 3 - 5 |

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.5 Property, plant and equipment (continued)

#### (c) Depreciation (continued)

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

#### (d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

### 3.6 Investment properties

Investment properties are properties held to earn rental income or for capital appreciation or both.

Investment properties are initially measured at cost, including transaction costs. The Group and the Company uses the cost model to measure its investment properties after initial recognition. Accordingly, investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(b) to the financial statements.

Cost includes purchase price and any directly attributable costs incurred to bring the property to its present location and condition intended for use as an investment property. The cost of a self-constructed investment property includes the cost of material, direct labour and any other direct attributable costs. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.16 to the financial statements.

An investment property is derecognised on its disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains and losses arising from derecognition of the asset is recognised in the profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising on the date of change in use between the carrying amount of the item immediately prior to the transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. 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 sale.

### 3.8 Contract assets/(liabilities)

Contract asset is the right to consideration in exchange for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Company's future performance). The policy for the recognition and measurement of impairment losses is in accordance with Note 3.10(a) to the financial statements.

Contract liability is the obligation to transfer goods or services to customers for which the Group and the Company have received the consideration or have billed the customers.

### 3.9 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

### 3.10 Impairment of assets

#### (a) Impairment of financial assets and contract assets

Financial assets measured at amortised cost, contract assets and financial guarantee contracts will be subject to the impairment requirement in CIFRS 9 Financial Instruments which is related to the accounting for expected credit losses on the financial assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.10 Impairment of assets (continued)

#### (a) Impairment of financial assets and contract assets (continued)

For trade receivables and contract assets, the Group and the Company apply the simplified approach permitted by CIFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:
- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.10 Impairment of assets (continued)

#### (a) Impairment of financial assets and contract assets (continued)

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.10 Impairment of assets (continued)**

**(b) Impairment of non-financial assets**

The carrying amounts of non-financial assets (except for inventories, contract assets, investment properties measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows 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 or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.11 Share capital

**Ordinary shares**

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

### 3.12 Employee benefits

**Short-term employee benefits**

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group and the Company.

### 3.13 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

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

### 3.14 Revenue and other income

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue recognition of the Group and the Company are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer). For practical expedient, the Group and the Company applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if the Group and the Company reasonably expect that the effects on the financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.14 Revenue and other income (continued)

The Group and the Company measure revenue at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the standalone selling price is not directly observable, the Group and the Company estimate it by using the expected cost plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group and the Company have assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.14 Revenue and other income (continued)

#### (a) Construction revenue

Contracts with customers include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

Revenue from construction contracts is measured at the fixed transaction price agreed under the agreement.

Revenue is recognised as and when control of the asset is transferred to the customer and it is probable that the Group would collect the consideration to which it will be entitled in exchange for the asset that would be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at point in time. Control of the asset is transferred over time if the performance of the Group does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract using the input method by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Significant judgement is required in determining performance obligations, transaction price allocation and costs in applying the input method to recognise revenue over time.

The Group identified performance obligations that are distinct and material, which is judgemental in the context of contract. Transaction prices were determined based on estimated margins prior to its allocation to the identified performance obligation. The Company also estimated total contract costs in applying the input method to recognise revenue over time.

#### (b) Sale of land

Revenue from sale of land is recognised at a point in time when the control of the land has been transferred to the customers and it is probable that the Group and the Company will collect the considerations to which they would be entitled to in exchange for the assets sold.

There is no significant financing component in the revenue arising from sale of land as the sales are made on the normal credit terms not exceeding 12 months.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3.14 Revenue and other income (continued)**

**(c) Rendering of services**

Revenue from services rendered is recognised at a point in time when the services have been rendered to the customers and coincides with the delivery of services and acceptance by customers.

There is no significant financing component in the revenue arising from services rendered as the services are made on the normal credit terms no exceeding 12 months.

**(d) Rental income**

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease.

**3.15 Lessee accounting**

**(a) Short-term leases and leases of low value assets**

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**(b) Lessor accounting**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

When the Group and the Company are intermediate lessors, they account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.15(a), then it classifies the sub-lease as an operating lease.

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.15 Lessee accounting (continued)

#### (b) Lessor accounting

When a contract includes lease and non-lease components, the Group and the Company apply CIFRS 15 Revenue from Contracts with Customers to allocate the considerations under the contract to each component.

### 3.16 Borrowing costs

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group and the Company begin capitalising borrowing costs when the Group and the Company have incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.17 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

#### (a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

#### (b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.17 Income tax (continued)

#### (b) Deferred tax (continued)

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realized simultaneously.

### 3.18 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and 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 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.

For a non-financial asset, the fair value measurement takes into account a market participant's ability 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.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.19 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with CIFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity that have the most significant effect on the Group's and the Company's financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's and the Company's financial statements within the next financial year are disclosed as follows:

### (a) Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.5 to the financial statements, the Group and the Company review the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised. The carrying amounts of the Group's and the Company's property, plant and equipment are disclosed in Note 5 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

**(b) Measurement of income tax**

Significant judgement is required in determining the Group's and the Company's estimation for current and deferred taxes because the ultimate tax liability for the Group and the Company as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities, the amounts might be different from the initial estimates of the tax payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group and the Company will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise.

The income tax expense of the Group and of the Company is disclosed in Note 21 to the financial statements.

**(c) Material litigation and contingent liabilities**

The Group exercises judgement in measuring exposures to contingent liabilities related to outstanding claim subject to arbitration. Judgement is required to assess the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of any financial settlement. The inherent uncertainty of such matters means that actual losses may materially differ from estimates.

**(d) Construction revenue and expenses**

The Group recognised construction revenue and expenses in profit or loss by using the progress towards complete satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligation, the extent of the construction costs incurred, the estimated total construction revenue and expenses, as well as the recoverability of the construction projects. In making the judgement, the Group evaluate based on past experience and by relying on the work of specialists.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 5. PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land USD | Building and infrastructure USD | Machinery USD | Motor vehicle, equipment and computers USD | *Construction in progress USD | Total USD |
|---|---|---|---|---|---|---|
| **At 31 December 2020** | | | | | | |
| Cost | 721,224 | 19,968,029 | 1,920,438 | 662,683 | 534,389 | 23,806,763 |
| Accumulated depreciation | - | (8,139,191) | (1,596,386) | (486,196) | - | (10,221,773) |
| Net carrying amount | 721,224 | 11,828,838 | 324,052 | 176,487 | 534,389 | 13,584,990 |
| Net carrying amount (KHR'000) | 2,917,351 | 47,847,650 | 1,310,790 | 713,890 | 2,161,604 | 54,951,285 |
| **Movement in net carrying amount** | | | | | | |
| At 1 January 2020 | 721,224 | 10,655,738 | 460,146 | 222,461 | 5,720,759 | 17,780,328 |
| Additions | - | 173,338 | - | 37,163 | 2,819,812 | 3,030,313 |
| Written off | - | (1,591) | - | (547) | - | (2,138) |
| Transfer within property, plant and equipment | - | 2,059,164 | - | - | (2,059,164) | - |
| Transfer to investment properties | - | - | - | - | (5,451,167) | (5,451,167) |
| Transfer to inventories | - | - | - | - | (495,851) | (495,851) |
| Depreciation charge | - | (1,057,811) | (136,094) | (82,590) | - | (1,276,495) |
| At 31 December 2020 | 721,224 | 11,828,838 | 324,052 | 176,487 | 534,389 | 13,584,990 |

## 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group | Freehold land USD | Building and infrastructure USD | Machinery USD | Motor vehicle, equipment and computers USD | *Construction in progress USD | Total USD |
|---|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | | |
| Cost | 721,224 | 17,737,118 | 1,920,438 | 626,067 | 5,720,759 | 26,725,606 |
| Accumulated depreciation | - | (7,081,380) | (1,460,292) | (403,606) | - | (8,945,278) |
| Net carrying amount | 721,224 | 10,655,738 | 460,146 | 222,461 | 5,720,759 | 17,780,328 |
| Net carrying amount (KHR'000) | 2,938,988 | 43,422,132 | 1,875,095 | 906,529 | 23,312,093 | 72,454,837 |
| **Movement in net carrying amount** | | | | | | |
| At 1 January 2019 | 697,450 | 11,296,232 | 513,491 | 164,890 | 1,320,043 | 13,992,106 |
| Additions | - | 182,302 | 115,902 | 145,867 | 8,317,301 | 8,761,372 |
| Transfer to inventories | 23,774 | 52,729 | - | - | (3,916,585) | (3,840,082) |
| Depreciation charge | - | (875,525) | (169,247) | (88,296) | - | (1,133,068) |
| At 31 December 2019 | 721,224 | 10,655,738 | 460,146 | 222,461 | 5,720,759 | 17,780,328 |

* Construction in progress represents infrastructure under construction stated at cost. Construction in progress is not depreciated until such time when the asset is available for use.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Company | Freehold land USD | Building and infrastructure USD | Machinery USD | Motor vehicle, equipment and computers USD | *Construction in progress USD | Total USD |
|---|---|---|---|---|---|---|
| **At 31 December 2020** | | | | | | |
| Cost | 721,224 | 20,021,251 | 1,534,212 | 408,925 | 772,162 | 23,457,774 |
| Accumulated depreciation | - | (7,985,804) | (1,387,284) | (349,070) | - | (9,722,158) |
| Net carrying amount | 721,224 | 12,035,447 | 146,928 | 59,855 | 772,162 | 13,735,616 |
| Net carrying amount (KHR'000) | 2,917,351 | 48,683,384 | 594,324 | 242,113 | 3,123,395 | 55,560,567 |
| **Movement in net carrying amount** | | | | | | |
| At 1 January 2020 | 721,224 | 10,414,561 | 205,672 | 74,731 | 5,695,577 | 17,111,765 |
| Additions | - | 27,799 | - | 13,005 | 963,053 | 1,003,857 |
| Transfer within property, plant and equipment | - | 2,506,123 | - | - | (2,506,123) | - |
| Transfer to investment properties | - | - | - | - | (3,173,000) | (3,173,000) |
| Transfer to inventories | - | - | - | - | (207,345) | (207,345) |
| Depreciation charge | - | (913,036) | (58,744) | (27,881) | - | (999,661) |
| At 31 December 2020 | 721,224 | 12,035,447 | 146,928 | 59,855 | 772,162 | 13,735,616 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

| Company | Freehold land USD | Building and infrastructure USD | Machinery USD | Motor vehicle, equipment and computers USD | *Construction in progress USD | Total USD |
|---|---|---|---|---|---|---|
| **At 31 December 2019** | | | | | | |
| Cost | 721,224 | 17,487,329 | 1,534,212 | 395,920 | 5,695,577 | 25,834,262 |
| Accumulated depreciation | - | (7,072,768) | (1,328,540) | (321,189) | - | (8,722,497) |
| Net carrying amount | 721,224 | 10,414,561 | 205,672 | 74,731 | 5,695,577 | 17,111,765 |
| Net carrying amount (KHR'000) | 2,938,988 | 42,439,336 | 838,113 | 304,529 | 23,209,476 | 69,730,442 |
| **Movement in net carrying amount** | | | | | | |
| At 1 January 2019 | 697,450 | 11,231,597 | 297,134 | 79,807 | 526,947 | 12,832,935 |
| Additions | - | - | 350 | 39,688 | 5,846,612 | 5,886,650 |
| Transfer to inventories | 23,774 | 52,729 | - | - | (677,982) | (601,479) |
| Depreciation charge | - | (869,765) | (91,812) | (44,764) | - | (1,006,341) |
| At 31 December 2019 | 721,224 | 10,414,561 | 205,672 | 74,731 | 5,695,577 | 17,111,765 |

* Construction in progress represents infrastructure under construction stated at cost. Construction in progress is not depreciated until such time when the asset is available for use.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 6. INVESTMENT PROPERTIES

| Group | Freehold land USD | Building USD | Total USD |
|---|---|---|---|
| **At 31 December 2020** | | | |
| Cost | 2,515,656 | 9,749,264 | 12,264,920 |
| Accumulated depreciation | - | (2,266,349) | (2,266,349) |
| Net carrying amount | 2,515,656 | 7,482,915 | 9,998,571 |
| Net carrying amount (KHR'000) | 10,175,828 | 30,268,391 | 40,444,219 |
| **Movement in net carrying amount** | | | |
| At 1 January 2020 | 742,778 | 2,651,715 | 3,394,493 |
| Additions* | 1,772,878 | 5,296,973 | 7,069,851 |
| Depreciation charge | - | (465,773) | (465,773) |
| At 31 December 2020 | 2,515,656 | 7,482,915 | 9,998,571 |
| **At 31 December 2019** | | | |
| Cost | 742,778 | 4,452,291 | 5,195,069 |
| Accumulated depreciation | - | (1,800,576) | (1,800,576) |
| Net carrying amount | 742,778 | 2,651,715 | 3,394,493 |
| Net carrying amount (KHR'000) | 3,026,820 | 10,805,739 | 13,832,559 |
| **Movement in net carrying amount** | | | |
| At 1 January 2019 | 742,778 | 2,865,829 | 3,608,607 |
| Depreciation charge | - | (214,114) | (214,114) |
| At 31 December 2019 | 742,778 | 2,651,715 | 3,394,493 |

* Included in the additions of investment properties of the Group were assets transferred from property plant and equipment amounted to USD5,451,167 (2019: Nil) as disclosed in Note 5 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6. INVESTMENT PROPERTIES (CONTINUED)**

| **Company** | **Freehold land USD** | **Building USD** | **Total USD** |
|---|---|---|---|
| **At 31 December 2020** | | | |
| Cost | 2,515,656 | 7,792,291 | 10,307,947 |
| Accumulated depreciation | - | (2,195,606) | (2,195,606) |
| Net carrying amount | 2,515,656 | 5,596,685 | 8,112,341 |
| Net carrying amount (KHR'000) | 10,175,828 | 22,638,591 | 32,814,419 |
| **Movement in net carrying amount** | | | |
| At 1 January 2020 | 742,778 | 2,651,715 | 3,394,493 |
| Additions* | 1,772,878 | 3,340,000 | 5,112,878 |
| Depreciation charge | - | (395,030) | (395,030) |
| At 31 December 2020 | 2,515,656 | 5,596,685 | 8,112,341 |
| **At 31 December 2019** | | | |
| Cost | 742,778 | 4,452,291 | 5,195,069 |
| Accumulated depreciation | - | (1,800,576) | (1,800,576) |
| Net carrying amount | 742,778 | 2,651,715 | 3,394,493 |
| Net carrying amount (KHR'000) | 3,026,820 | 10,805,739 | 13,832,559 |
| **Movement in net carrying amount** | | | |
| At 1 January 2019 | 742,778 | 2,865,829 | 3,608,607 |
| Depreciation charge | - | (214,114) | (214,114) |
| At 31 December 2019 | 742,778 | 2,651,715 | 3,394,493 |

* Included in the additions of investment properties of the Company were assets transferred from property plant and equipment amounted to USD3,173,000 (2019: Nil) as disclosed in Note 5 to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 6. INVESTMENT PROPERTIES (CONTINUED)

The fair values of investment properties for the Group and Company as at 31 December 2020 were estimated at USD16,058,508 or KHR64,956,665,000 (2019: USD8,988,657 or KHR36,628,778,000) and USD14,101,535 or KHR57,040,709,000 (2019: USD8,988,657 or KHR36,628,778,000) respectively based on the valuations performed by the directors which are derived using the market approach by way of comparison method of valuation. This method of valuation entails comparing recent ask price of other similar properties in the vicinity whilst making due allowances to factors such as location and size. The fair values are categorised as Level 3 in the fair value hierarchy as the valuations were based on unobservable valuation inputs, which were then adjusted to take into consideration of the age and condition of the buildings.

The Group and the Company leases out its investment properties. The Group and the Company classified these leases as operating lease, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

As at 31 December 2020, investment properties with a carrying amount of USD229,694 or KHR929,112,000 (2019: USD229,694 or KHR936,003,000) have been pledged as security to secure term loans granted to the Group and the Company as disclosed in Note 14 to the financial statements.

## 7. INVESTMENT IN SUBSIDIARIES

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Company** | **USD** | **KHR'000** | **USD** | **KHR'000** |
| **At cost** | | | | |
| Unquoted shares | 21,800,000 | 88,181,000 | 15,605,000 | 63,590,375 |
| Less: Allowance for impaiment loss | - | - | - | - |
| | 21,800,000 | 88,181,000 | 15,605,000 | 63,590,375 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

### (a) The Group's effective equity interest in the subsidiaries are as follows:

| Name of subsidiaries | Country of incorporation | Effective equity interest 2020 % | Effective equity interest 2019 % | Principal activities |
|---|---|---|---|---|
| Sahas Security Co., Ltd. (formerly known as 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 | 60 | Construction services |
| Phnom Penh SEZ II Co., Ltd. | Cambodia | 100 | 100 | Establish, develop and operate industrial zone |
| Sahas Properties Co., Ltd. | Cambodia | 100 | 100 | Real estate activity |

### (b) During the financial year, the Company has:

(i) increase its investment in a subsidiary, Sahas Security Co., Ltd. by USD195,000, representing additional 39,000 units of registered and paid up share capital of the subsidiary with par value of USD5 or KHR20,000 per share. The effective equity interest of the Company remained to be 100% as at end of the financial year.

(ii) increase its investment in a subsidiary, Poi Pet PPSEZ Co., Ltd. by USD5,000,000, representing additional 1,000 units of registered and paid up share capital of the subsidiary with par value of USD5,000 or KHR20,000,000 per share. The effective equity interest of the Company remained to be 100% as at end of the financial year.

(iii) increase its investment in a subsidiary, Sahas Properties Co., Ltd. by USD1,000,000, representing additional 1,000 units of registered and paid up share capital of the subsidiary with par value of USD1,000 or KHR4,000,000 per share. The effective equity interest of the Company remained to be 100% as at end of the financial year.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

### (c) Summarised financial information of material non-controlling interests

The summarised financial information (before intra-group elimination) of the Group's and the Company's subsidiary that has material non-controlling interests are as follows:

| SAHAS E&C CO., LTD. | 2020 | | 2019 | |
|---|---|---|---|---|
| NCI percentage | 40% | | 40% | |
| | USD | KHR'000 | USD | KHR'000 |
| **Summarised statement of financial position** | | | | |
| Total assets | 3,128,225 | 12,653,666 | 3,157,098 | 12,865,172 |
| Total liabilities | (422,062) | (1,707,241) | (1,078,155) | (4,393,482) |
| **Net assets** | 2,706,163 | 10,946,425 | 2,078,943 | 8,471,690 |
| **Net assets attributable to NCI** | 1,082,465 | 4,378,570 | 831,577 | 3,388,676 |
| **Summarised statement of comprehensive income** | | | | |
| Revenue | 5,497,484 | 22,237,323 | 6,301,816 | 25,679,900 |
| Profit for the financial year | 627,221 | 2,537,109 | 908,998 | 3,704,167 |
| Other comprehensive income | - | - | - | - |
| **Total comprehensive income for the financial year** | 627,221 | 2,537,109 | 908,998 | 3,704,167 |
| **Profit attributable to NCI** | 250,888 | 1,014,842 | 363,600 | 1,481,671 |
| **Total comprehensive income attributable to NCI** | 250,888 | 1,014,842 | 363,600 | 1,481,671 |
| **Summarised statement of cash flows** | | | | |
| Net cash generated from/(used in) | | | | |
| - Operating activities | (217,829) | (881,118) | 292,667 | 1,192,618 |
| - Investing activities | (46,677) | (188,808) | (237,479) | (967,727) |
| - Financing activities | 12,031 | 48,665 | (1,066) | (4,344) |
| Net increase/(decrease) in cash and cash equivalents | (252,475) | (1,021,261) | 54,122 | 220,547 |

## 8. INVESTMENT IN ASSOCIATES

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Group** | **USD** | **KHR'000** | **USD** | **KHR'000** |
| **At Cost** | | | | |
| Unquoted shares | 6,997,400 | 28,304,483 | 6,997,400 | 28,514,405 |
| Shares of post-acquisition reserves | 5,314,133 | 21,495,668 | 4,650,190 | 18,949,525 |
| Less: Allowance for impairment loss | (1,435,407) | (5,806,221) | (1,435,407) | (5,849,284) |
| | 10,876,126 | 43,993,930 | 10,212,183 | 41,614,646 |
| **Company** | | | | |
| **At Cost** | | | | |
| Unquoted shares | 6,997,400 | 28,304,483 | 6,996,950 | 28,512,571 |
| Shares of post-acquisition reserves | 5,314,133 | 21,495,668 | 4,435,719 | 18,075,556 |
| Less: Allowance for impairment loss | (1,435,407) | (5,806,221) | (1,435,407) | (5,849,284) |
| | 10,876,126 | 43,993,930 | 9,997,262 | 40,738,843 |

**(a) The Group's effective equity interest in the associates are as follows:**

| Name of associates | Country of incorporation | Effective equity interest 2020 % | 2019 % | Principal activities |
|---|---|---|---|---|
| **Associates of Phnom Penh SEZ PLC** | | | | |
| Colben Energy (Cambodia) PPSEZ Ltd. *# | Cambodia | 51 | 51 | Supply of electricity |
| Bok Seng PPSEZ Dry Port Co., Ltd. * | Cambodia | 40 | 40 | Dry port |
| Sahas Advisory & Consultant Co., Ltd. * | Cambodia | 39 | 39 | Advisory and consultant services |
| Gomi Recycle (Phnom Penh) Co., Ltd. * | Cambodia | 24.5 | 24.5 | Waste recycle factory |
| **Associate of Poi Pet PPSEZ Co., Ltd** | | | | |
| B. Grimm Power (Poipet) Co., Ltd. | Cambodia | 45 | 45 | Supply of electricity |

* Not audited by Baker Tilly (Cambodia) Co., Ltd. or Baker Tilly International member firms.

\# The statutory financial year end of Colben Energy (Cambodia) PPSEZ Ltd. was 31 March 2020 which does not coincide with the financial year end of the Group. For the purpose of consolidation, the financial statements of Colben Energy (Cambodia) PPSEZ Ltd. for the financial year ended 31 March 2020 have been used and appropriate adjustments have been made for the effects of significant transactions from Colben Energy (Cambodia) PPSEZ Ltd.'s financial year end to 31 December 2020.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 8. INVESTMENT IN ASSOCIATES (CONTINUED)

### (b) Summarised financial information of material associates

The following table illustrates the summarised financial information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates:

| | Colben Energy (Cambodia) PPSEZ Limited USD | Bok Seng PPSEZ Dry Port Co., Ltd. USD | Other individually immaterial associates USD | Total USD |
|---|---|---|---|---|
| **Group** | | | | |
| **31.12.2020** | | | | |
| **Summarised statement of financial position** | | | | |
| Total assets | 39,091,904 | 7,157,898 | 1,024,648 | 47,274,450 |
| Total liabilities | (24,460,157) | (583,074) | (10,982) | (25,054,213) |
| **Net assets** | 14,631,747 | 6,574,824 | 1,013,666 | 22,220,237 |
| **Summarised statement of comprehensive income** | | | | |
| Revenue | 15,474,859 | 3,428,249 | 103,797 | 19,006,904 |
| Profit /(loss) for the financial year | 1,041,981 | 346,732 | (40,936) | 1,347,777 |
| Total comprehensive income /(loss) for the financial year | 1,041,981 | 346,732 | (40,936) | 1,347,777 |
| **Share of net assets/Carrying amount in the statement of financial position** | 7,900,880 | 2,708,765 | 266,481 | 10,876,126 |
| **Share of results of associates in the statement of comprehensive income** | 531,410 | 138,693 | (6,158) | 663,945 |

The Group has not recognised its shares of losses of B.Grimm Power (Poipet) Co., Ltd. amounting to USD60,496 or KHR244,706,000 (2019: USD34,457 or KHR140,412,000) because the Group's cumulative share of losses has exceeded its interest in that associate and the Group has no obligation in respect of these losses.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 8. INVESTMENT IN ASSOCIATES (CONTINUED)

#### (b) Summarised financial information of material associates (continued)

The following table illustrates the summarised financial information of the Group's material associates, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associates:

| | Colben Energy (Cambodia) PPSEZ Limited USD | Bok Seng PPSEZ Dry Port Co., Ltd. USD | Other individually immaterial associates USD | Total USD |
|---|---|---|---|---|
| **Group** | | | | |
| **31.12.2019** | | | | |
| **Summarised statement of financial position** | | | | |
| Total assets | 40,123,348 | 6,956,214 | 1,069,535 | 48,149,097 |
| Total liabilities | (26,496,861) | (696,638) | (8,742) | (27,202,241) |
| **Net assets** | 13,626,487 | 6,259,576 | 1,060,793 | 20,946,856 |
| **Summarised statement of comprehensive income** | | | | |
| Revenue | 13,898,829 | 2,975,496 | 77,796 | 16,952,121 |
| Profit /(loss) for the financial year | 1,687,880 | 288,391 | (22,465) | 1,953,806 |
| Total comprehensive income /(loss) for the financial year | 1,687,880 | 288,391 | (22,465) | 1,953,806 |
| **Share of net assets/Carrying amount in the statement of financial position** | 7,365,676 | 2,570,072 | 276,435 | 10,212,183 |
| **Share of results of associates in the statement of comprehensive income** | 860,819 | 115,357 | 385 | 976,560 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. INVESTMENT IN ASSOCIATES (CONTINUED)**

**(c) Effective equity interest in Colben Energy (Cambodia) PPSEZ Ltd.**

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 USD8.34 million in the form of a shareholder loan to CEZ. A sum of USD2.4 million out of the total shareholder loan had been converted into equity of CEZ as at the date of agreement. At the same time, the Company subscribed for the equity of CEZ amounting to USD2.55 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 USD5.94 million for 1,186,772 ordinary shares of USD5 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 USD5 per share to USD5,000 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 USD2.55 million to CEHZ as 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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 9. INVENTORIES

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Group** | **USD** | **KHR'000** | **USD** | **KHR'000** |
| **At cost** | | | | |
| Freehold land | 36,499,627 | 147,640,991 | 34,602,982 | 141,007,152 |
| **Company** | | | | |
| **At cost** | | | | |
| Freehold land | 12,778,447 | 51,688,818 | 14,460,409 | 58,926,167 |

The cost of inventories of the Group and of the Company recognised as an expense in cost of sales during the financial year was USD4,072,627 or KHR16,473,776,000 (2019: USD12,707,405 or KHR51,782,675,000) and USD1,100,165 or KHR4,450,167,000 (2019: USD12,707,405 or KHR51,782,675,000) respectively.

Included in the net carrying amount of inventories of the Group and Company were assets transferred from property, plant and equipment amounted to USD495,851 or KHR2,005,717,000 (2019: USD3,916,585 or KHR15,960,083,000) and USD207,345 or KHR838,710,000 (2019: USD677,982 or KHR2,762,776,000) respectively, as disclosed in Note 5 to the financial statements.

As at 31 December 2020, inventories with a carrying amount of USD9,122,962 or KHR36,902,381,000 (2019: USD15,078,630 or KHR61,445,417,000) have been pledged as security to secure term loans granted to the Group and the Company as disclosed in Note 14 to the financial statements.

## 10. TRADE AND OTHER RECEIVABLES

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Group** | **USD** | **KHR'000** | **USD** | **KHR'000** |
| **Trade receivables from contract with customers** | | | | |
| Third parties | 2,692,597 | 10,891,555 | 2,156,054 | 8,785,920 |
| Related parties | 792,116 | 3,204,109 | 784,077 | 3,195,114 |
| | 3,484,713 | 14,095,664 | 2,940,131 | 11,981,034 |
| **Other receivables** | | | | |
| Other receivables | 204,002 | 825,188 | 199,677 | 813,682 |
| Input value added taxes | 1,276,161 | 5,162,071 | 1,214,196 | 4,947,849 |
| Witholding tax credit | 3,345,231 | 13,531,459 | 4,753,947 | 19,372,334 |
| Associates | 2,104,741 | 8,513,677 | 2,561,824 | 10,439,433 |
| Related parties | 621,553 | 2,514,182 | 307,372 | 1,252,541 |
| Directors | - | - | 321,071 | 1,308,364 |
| Shareholders | 16,720 | 67,632 | 5,832 | 23,765 |
| Deposits | 64,852 | 262,326 | 18,380 | 74,899 |
| Prepayments | 11,247,330 | 45,495,451 | 14,174,175 | 57,759,763 |
| | 18,880,590 | 76,371,986 | 23,556,474 | 95,992,630 |
| | 22,365,303 | 90,467,650 | 26,496,605 | 107,973,664 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 10. TRADE AND OTHER RECEIVABLES (CONTINUED)

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Company** | **USD** | **KHR'000** | **USD** | **KHR'000** |
| **Trade receivables from contract with customers** | | | | |
| Third parties | - | - | 2,116,419 | 8,624,407 |
| Related parties | 771,217 | 3,119,573 | 771,217 | 3,142,709 |
| | 771,217 | 3,119,573 | 2,887,636 | 11,767,116 |
| **Other receivables** | | | | |
| Other receivables | 173,792 | 702,989 | 194,394 | 792,158 |
| Input value added taxes | 216,164 | 874,383 | 526,538 | 2,145,642 |
| Witholding tax credit | 3,300,231 | 13,349,434 | 4,708,947 | 19,188,959 |
| Subsidiaries | 9,053,582 | 36,621,739 | 11,224,718 | 45,740,726 |
| Associates | 1,597,163 | 6,460,524 | 2,122,673 | 8,649,892 |
| Related parties | 421,553 | 1,705,182 | 107,372 | 437,541 |
| Directors | - | - | 321,071 | 1,308,364 |
| Shareholders | 16,720 | 67,632 | 5,832 | 23,765 |
| Deposits | 47,978 | 194,071 | 4,880 | 19,886 |
| Prepayments | 10,644,091 | 43,055,349 | 12,007,282 | 48,929,674 |
| | 25,471,274 | 103,031,303 | 31,223,707 | 127,236,607 |
| | 26,242,491 | 106,150,876 | 34,111,343 | 139,003,723 |

### (a) Trade receivables

Trade receivables are amounts due from contract customers or related parties for goods sold and services performed in the ordinary course of business. Trade receivables are interest free. The normal credit term offered by the Company is 30 to 90 days (2019: 30 to 90 days). Trade receivables from related parties are repayable on demand. Other credit terms are assessed and approved on a case by case basis.

### (b) Loss allowance based on CIFRS 9's ECL Expected Credit Loss ("ECL") model

The ECL exposure to trade receivables from third parties is immaterial to the financial statements as a whole.

The trade receivables from related parties are repayable on demand. Hence, ECL are based on the assumption that repayment of receivables is demanded at the reporting date, with short contractual period for payment. These related parties have sufficient highly liquid assets to repay the balances if demanded at the reporting date. Therefore, ECL is likely to be immaterial with probability of default close to 0%.

### (c) Amounts due from subsidiaries

The amounts due from subsidiaries represent advances and payments made on behalf of the Company. The amounts are unsecured, interest free and are repayable on demand. Hence, ECL are based on the assumption that repayment of receivables is demanded at the reporting date, with short contractual period for payment. These subsidiaries have sufficient highly liquid assets to repay the balances if demanded at the reporting date. Therefore, ECL is likely to be immaterial with probability of default close to 0%.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 10. TRADE AND OTHER RECEIVABLES (CONTINUED)

### (d) Amounts due from associates, related parties, directors and shareholders

The amounts due from associates, related parties, directors and shareholders represent advances and payments made on behalf of the Group and of the Company. The amounts are unsecured, interest free and are repayable on demand. Hence, ECL are based on the assumption that repayment of receivables is demanded at the reporting date, with short contractual period for payment. These associates, related parties, directors and shareholders have sufficient highly liquid assets to repay the balances if demanded at the reporting date. Therefore, ECL is likely to be immaterial with probability of default close to 0%

### (e) Prepayments

Included in the both the Group and the Company's prepayments is an amount of USD10,215,805 or KHR 41,322,931,000 (2019: USD11,648,748 or KHR47,468,648,000) made in relation to land acquisitions.

No recoverability issue was noted in respect of both the prepayments made by the Group and the Company.

### (f) All trade and other receivables are denominated in USD.

## 11. CASH AND CASH EQUIVALENTS

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **USD** | **KHR'000** | **USD** | **KHR'000** |
| **Group** | | | | |
| Cash in hand | 9,934 | 40,183 | 4,161 | 16,956 |
| Deposits held at call with licensed banks | 1,612,700 | 6,523,372 | 1,337,249 | 5,449,290 |
| | 1,622,634 | 6,563,555 | 1,341,410 | 5,466,246 |
| **Company** | | | | |
| Cash in hand | 5,659 | 22,891 | 1,151 | 4,690 |
| Deposits held at call with licensed banks | 272,584 | 1,102,601 | 842,847 | 3,434,602 |
| | 278,243 | 1,125,492 | 843,998 | 3,439,292 |

Cash and bank balances are mainly denominated in USD and KHR. These are deposits held at call with licensed banks.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 12. SHARE CAPITAL

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | Number of share of USD0.50 each | Equivalent to USD | Number of share of USD0.50 each | Equivalent to USD |
| Ordinary shares: | | | | |
| **Registered:** | | | | |
| At 1 January / 31 December | 71,875,000 | 35,937,500 | 71,875,000 | 35,937,500 |
| **Fully paid:** | | | | |
| At 1 January / 31 December | 71,875,000 | 35,937,500 | 71,875,000 | 35,937,500 |
| KHR'000 | | 145,367,188 | | 146,445,313 |

There were no issuances, cancellations, repurchases, resales and repayments of equity securities during the financial period.

## 13. SHARE PREMIUM

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.

## 14. LOANS AND BORROWINGS

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Group** | **USD** | **KHR'000** | **USD** | **KHR'000** |
| **Non-current:** | | | | |
| **Secured** | | | | |
| Term loan VII | 9,035,631 | 36,549,127 | 7,262,078 | 29,592,967 |
| Term loan VIII | 717,248 | 2,901,268 | 1,200,000 | 4,890,000 |
| Term loan IX | 3,450,551 | 13,957,479 | 3,000,000 | 12,225,000 |
| Term loan X | - | - | 990,261 | 4,035,314 |
| Term loan XI | 2,129,564 | 8,614,086 | - | - |
| | 15,332,994 | 62,021,960 | 12,452,339 | 50,743,281 |
| **Current:** | | | | |
| **Secured** | | | | |
| Term loan V | - | - | 75,643 | 308,245 |
| Term loan VII | 1,681,487 | 6,801,615 | 1,551,120 | 6,320,814 |
| Term loan VIII | 1,658,334 | 6,707,961 | 3,450,000 | 14,058,750 |
| Term loan X | - | - | 142,075 | 578,956 |
| | 3,339,821 | 13,509,576 | 5,218,838 | 21,266,765 |
| | 18,672,815 | 75,531,536 | 17,671,177 | 72,010,046 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**14. LOANS AND BORROWINGS (CONTINUED)**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Company** | **USD** | **KHR'000** | **USD** | **KHR'000** |
| **Non-current:** | | | | |
| **Secured** | | | | |
| Term loan VII | 8,175,521 | 33,069,982 | 7,262,078 | 29,592,968 |
| Term loan VIII | 717,248 | 2,901,268 | 1,200,000 | 4,890,000 |
| Term loan IX | 2,999,600 | 12,133,382 | 3,000,000 | 12,225,000 |
| Term loan XI | 2,129,564 | 8,614,086 | - | - |
| | 14,021,933 | 56,718,718 | 11,462,078 | 46,707,968 |
| **Current:** | | | | |
| **Secured** | | | | |
| Term loan V | - | - | 75,643 | 308,245 |
| Term loan VII | 1,551,120 | 6,274,280 | 1,551,120 | 6,320,814 |
| Term loan VIII | 1,658,334 | 6,707,961 | 3,450,000 | 14,058,750 |
| | 3,209,454 | 12,982,241 | 5,076,763 | 20,687,809 |
| | 17,231,387 | 69,700,959 | 16,538,841 | 67,395,777 |

CIAS 7 require the Group and the Company to provide disclosures that enable users of financial statements to evaluate the changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The change in liabilities is disclosed as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Group** | **USD** | **KHR'000** | **USD** | **KHR'000** |
| **Term loans** | | | | |
| As at 1 January | 17,671,177 | 71,479,910 | 10,434,977 | 42,522,531 |
| Drawdown | 7,010,880 | 28,359,010 | 10,200,000 | 41,565,000 |
| Repayments | (6,009,242) | (24,307,384) | (2,963,800) | (12,077,485) |
| Finance costs | 1,453,065 | 5,877,648 | 1,184,070 | 4,825,085 |
| Interest paid | (1,453,065) | (5,877,648) | (1,184,070) | (4,825,085) |
| As at 31 December | 18,672,815 | 75,531,536 | 17,671,177 | 72,010,046 |
| | | | | |
| **Company** | | | | |
| **Term loans** | | | | |
| As at 31 December | 16,538,841 | 66,899,612 | 10,434,977 | 42,522,531 |
| Drawdown | 5,510,880 | 22,291,508 | 9,000,000 | 36,675,000 |
| Repayments | (4,818,334) | (19,490,161) | (2,896,136) | (11,801,754) |
| Finance costs | 1,348,830 | 5,456,017 | 1,134,788 | 4,624,261 |
| Interest paid | (1,348,830) | (5,456,017) | (1,134,788) | (4,624,261) |
| As at 31 December | 17,231,387 | 69,700,959 | 16,538,841 | 67,395,777 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14. LOANS AND BORROWINGS (CONTINUED)

Other information on loans and borrowings are disclosed as follows:

| Term Loan | Licensed Bank | Principal Amount (USD) | Interest Term | Repayable in Number of Years | Monthly Instalment | Commence Date | Remark |
|---|---|---|---|---|---|---|---|
| Term loan VII | First Commercial Bank | 2,000,000 | 6.80% | 6 | 29,169 | 07/07/2018 | * |
| | | 2,300,000 | 6.80% | 7 | 34,489 | 02/11/2018 | * |
| | | 3,500,000 | LIBOR rate plus 3.75% ≥ 6.87% | 5 | 69,090 | 12/09/2019 | * |
| | | 2,500,000 | LIBOR rate plus 3.75% ≥ 6.87% | 5 | 43,013 | 10/09/2019 | * |
| | | 2,530,488 | LPCO plus 1.00% ≥ 6.90% | 7 | 38,068 | 02/09/2020 | * |
| Term loan VIII | Phnom Penh Commercial Bank | 3,050,000 | 8.00% | 1 | 41,667 | 28/12/2018 | # |
| | | 2,000,000 | 8.00% | 5 | 33,333 | 01/02/2017 | # |
| | | 1,500,000 | 8.00% | 43 months | 34,884 | 31/08/2020 | # |
| Term loan IX | Kasikornbank | 3,500,000 | 7.00% | 7 | 41,700 | 02/05/2019 | * |
| | | 500,000 | 6.50% | 5 | 9,700 | 23/03/2020 | |
| Term loan XI | Advanced Bank of Asia Limited | 1,500,000 | 7.50% | 5 | 30,130 | 13/02/2020 | # |
| | | 980,392 | 7.50% | 5 | 19,597 | 13/02/2020 | # |
| Term loan V | CIMB Bank PLC. | 2,050,000 | 8.00% | 5 | 41,687 | 01/01/2017 | * |
| Term loan X | First Commercial Bank | 1,200,000 | LIBOR plus 3.30% to 6.80% | 5 | 17,994 | 19/07/2019 | # |

* The loans are secured by a mortgage over the investment properties and inventories as disclosed in Note 6 and Note 9 to the financial statements.

# The loans are secured by a mortgage over the inventories as disclosed in Note 9 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 15. CONTRACT LIABILITIES

Contract liabilities represent deferred revenue. Deferred revenue was in respect of granting the right of use on the transmission lines of the Company to Colben Energy (Cambodia) PPSEZ Limited ("SEZ") pursuant to the transfer agreement with CEX on 31 August 2012. The total consideration was amortised on a straight-line basis over the term of 25 years.

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Group / Company** | **USD** | **KHR'000** | **USD** | **KHR'000** |
| **Non-current:** | | | | |
| Contract liabilities | 8,768,000 | 35,466,560 | 9,316,000 | 37,962,700 |
| **Current:** | | | | |
| Contract liabilities | 548,000 | 2,216,660 | 548,000 | 2,233,100 |
| | 9,316,000 | 37,683,220 | 9,864,000 | 40,195,800 |
| **Group** | | | | |
| At 1 January | 9,864,000 | 39,899,880 | 23,897,360 | 97,381,742 |
| **Less:** | | | | |
| Revenue recognised in the financial year that was included in the opening contract liabilities | (548,000) | (2,216,660) | (14,033,360) | (57,185,942) |
| At 31 December | 9,316,000 | 37,683,220 | 9,864,000 | 40,195,800 |
| **Company** | | | | |
| At 1 January | 9,864,000 | 39,899,880 | 23,835,371 | 97,129,137 |
| **Less:** | | | | |
| Revenue recognised in the financial year that was included in the opening contract liabilities | (548,000) | (2,216,660) | (13,971,371) | (56,933,337) |
| At 31 December | 9,316,000 | 37,683,220 | 9,864,000 | 40,195,800 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 16. TRADE AND OTHER PAYABLES

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Group** | **USD** | **KHR'000** | **USD** | **KHR'000** |
| **Trade payables** | | | | |
| Third parties | 207,045 | 837,497 | 843,628 | 3,437,784 |
| Associates | - | - | 639,914 | 2,607,650 |
| | 207,045 | 837,497 | 1,483,542 | 6,045,434 |
| **Other payables** | | | | |
| Other payables | 2,499,832 | 10,111,820 | 97,607 | 397,747 |
| Deposits | 1,958,900 | 7,923,751 | 2,195,424 | 8,946,353 |
| Provision | - | - | 22,094 | 90,033 |
| Associates | 31,912 | 129,084 | 41,021 | 167,161 |
| Related parties | 1,984,698 | 8,028,103 | 886,658 | 3,613,131 |
| Directors | 1,841 | 7,447 | 1,100,000 | 4,482,500 |
| Shareholders | 200,510 | 811,063 | 1,968 | 8,020 |
| | 6,677,693 | 27,011,268 | 4,344,772 | 17,704,945 |
| | 6,884,738 | 27,848,765 | 5,828,314 | 23,750,379 |
| **Company** | | | | |
| **Trade payables** | | | | |
| Third parties | - | - | 606,329 | 2,470,791 |
| Associates | - | - | 639,914 | 2,607,650 |
| | - | - | 1,246,243 | 5,078,441 |
| **Other payables** | | | | |
| Other payables | 405,595 | 1,640,633 | 219,718 | 895,350 |
| Deposits | 1,482,674 | 5,997,416 | 2,025,848 | 8,255,331 |
| Subsidiaries | 1,638,580 | 6,628,055 | 1,246,198 | 5,078,257 |
| Associates | 28,588 | 115,638 | 35,925 | 146,394 |
| Related parties | 1,984,082 | 8,025,612 | 883,722 | 3,601,167 |
| Directors | 1,841 | 7,447 | 1,100,000 | 4,482,500 |
| Shareholders | 200,510 | 811,063 | 1,968 | 8,020 |
| | 5,741,870 | 23,225,864 | 5,513,379 | 22,467,019 |
| | 5,741,870 | 23,225,864 | 6,759,622 | 27,545,460 |

### (a) Trade payables

Trade payables to third parties and associates are interest free. Credit term of trade payables range from 30 to 90 days from the receipts of goods and services. (2019: 30 to 90 days). Other credit terms are assessed and approved on a case by case basis.

### (b) Amounts due to subsidiaries

Amounts due to subsidiaries represent advances and payments made on behalf of the Company. The amounts due are interest free, unsecured and are repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 16. TRADE AND OTHER PAYABLES (CONTINUED)

### (c) Amounts due to associates, related parties, directors and shareholders

Amounts due to associates, related parties, directors and shareholders represent advances and payments made on behalf of the Company. The amounts are interest free, unsecured and are repayable on demand.

### (d) Trade and other payables are denominated in USD.

### (e) Maturity profile of trade and other payables of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations is repayable on demand or within one year.

## 17. REVENUE

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Group** | **USD** | **KHR'000** | **USD** | **KHR'000** |
| **Revenue from contract customers:** | | | | |
| Construction revenue | 2,513,199 | 10,165,889 | 401,484 | 1,636,047 |
| Sale of land | 8,380,253 | 33,898,123 | 33,020,441 | 134,558,298 |
| Rendering of services | 3,824,323 | 15,469,387 | 2,920,246 | 11,900,002 |
| | 14,717,775 | 59,533,399 | 36,342,171 | 148,094,347 |
| **Revenue from other source:** | | | | |
| Rental income | 1,963,857 | 7,943,802 | 971,610 | 3,959,311 |
| | 16,681,632 | 67,477,201 | 37,313,781 | 152,053,658 |
| **Timing of revenue** | | | | |
| At a point in time | 12,204,576 | 49,367,510 | 35,940,687 | 146,458,300 |
| Over time | 2,513,199 | 10,165,889 | 401,484 | 1,636,047 |
| **Revenue from** | | | | |
| **- contract customers** | 14,717,775 | 59,533,399 | 36,342,171 | 148,094,347 |
| **- other source** | 1,963,857 | 7,943,802 | 971,610 | 3,959,311 |
| | 16,681,632 | 67,477,201 | 37,313,781 | 152,053,658 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**17. REVENUE (CONTINUED)**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Company** | **USD** | **KHR'000** | **USD** | **KHR'000** |
| **Revenue from contract customers:** | | | | |
| Sale of land | 2,093,773 | 8,469,312 | 33,020,441 | 134,558,297 |
| Rendering of services | 2,650,895 | 10,722,870 | 2,442,736 | 9,954,149 |
| | 4,744,668 | 19,192,182 | 35,463,177 | 144,512,446 |
| **Revenue from other source:** | | | | |
| Rental income | 1,875,786 | 7,587,554 | 976,839 | 3,980,619 |
| | 6,620,454 | 26,779,736 | 36,440,016 | 148,493,065 |
| **Timing of revenue** | | | | |
| At a point in time | 4,744,668 | 19,192,182 | 35,463,177 | 144,512,446 |
| **Revenue from** | | | | |
| **- contract customers** | 4,744,668 | 19,192,182 | 35,463,177 | 144,512,446 |
| **- other source** | 1,875,786 | 7,587,554 | 976,839 | 3,980,619 |
| | 6,620,454 | 26,779,736 | 36,440,016 | 148,493,065 |

**(a) Construction revenue**

Contracts with customers include multiple promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices. When these are not directly observable, they are estimated based on expected cost plus margin.

Revenue from construction contracts is measured at the fixed transaction price agreed under the agreement.

Revenue is recognised as and when control of the asset is transferred to the customer and it is probable that the Group would collect the consideration to which it will be entitled in exchange for the asset that would be transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at point in time. Control of the asset is transferred over time if the performance of the Group does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract using the input method by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Significant judgement is required in determining performance obligations, transaction price allocation and costs in applying the input method to recognise revenue over time.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**17. REVENUE (CONTINUED)**

**(a) Construction revenue (continued)**

The Group identified performance obligations that are distinct and material, which is judgemental in the context of contract. Transaction prices were determined based on estimated margins prior to its allocation to the identified performance obligation. The Company also estimated total contract costs in applying the input method to recognise revenue over time.

**(b) Sale of land**

Revenue from sale of land is recognised at a point in time when the control of the land has been transferred to the customers and it is probable that the Group and the Company will collect the considerations to which they would be entitled to in exchange for the assets sold.

There is no significant financing component in the revenue arising from sale of land as the sales are made on the normal credit terms not exceeding 12 months.

**(c) Rendering of services**

Revenue from services rendered is recognised at a point in time when the services have been rendered to the customers and coincides with the delivery of services and acceptance by customers.

There is no significant financing component in the revenue arising from services rendered as the services are made on the normal credit terms no exceeding 12 months.

**(d) Rental income**

Rental income is accounted for on a straight line basis over the lease term of an ongoing lease.

**18. OTHER INCOME**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Group** | **USD** | **KHR'000** | **USD** | **KHR'000** |
| Other income | 35,405 | 143,213 | 372,656 | 1,518,573 |
| Interest income | 378 | 1,529 | 223 | 909 |
| | 35,783 | 144,742 | 372,879 | 1,519,482 |
| **Company** | | | | |
| Management fee | 1,200,000 | 4,854,000 | - | - |
| Other income | 35,110 | 142,020 | 369,374 | 1,505,199 |
| Interest income | 360 | 1,456 | 223 | 909 |
| | 1,235,470 | 4,997,476 | 369,597 | 1,506,108 |

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 19. FINANCE COSTS

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | USD | KHR'000 | USD | KHR'000 |
| **Group** | | | | |
| Interest expense on term loans | 1,453,065 | 5,877,648 | 1,184,070 | 4,825,085 |
| **Company** | | | | |
| Interest expense on term loans | 1,348,830 | 5,456,017 | 1,134,788 | 4,624,261 |

### 20. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged in arriving at profit before tax:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Group** | USD | KHR'000 | USD | KHR'000 |
| Staff costs | 2,370,078 | 9,586,966 | 2,524,017 | 10,285,369 |
| Depreciation of property, plant and equipment | 1,276,495 | 5,163,422 | 1,133,068 | 4,617,252 |
| Depreciation of investment properties | 465,773 | 1,884,052 | 214,114 | 872,515 |
| Professional fees | 372,276 | 1,505,856 | 517,073 | 2,107,072 |
| Maintenance fees | 539,114 | 2,180,716 | 381,248 | 1,553,586 |
| Leases of low value assets | 42,499 | 171,908 | 24,104 | 98,224 |
| **Company** | | | | |
| Staff costs | 1,496,641 | 6,053,913 | 1,829,600 | 7,455,620 |
| Depreciation of property, plant and equipment | 999,661 | 4,043,629 | 1,006,341 | 4,100,840 |
| Depreciation of investment properties | 395,030 | 1,597,896 | 214,114 | 872,515 |
| Professional fees | 275,058 | 1,112,610 | 403,932 | 1,646,023 |
| Maintenance fees | 503,838 | 2,038,025 | 314,421 | 1,281,266 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 21. INCOME TAX EXPENSE

Under the Cambodian Law of Taxation, the Company has an obligation to pay income tax at a higher of, 20% based on profit before tax (2019: 20%) or 1% based on total revenue (2019: 1%).

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Group** | **USD** | **KHR'000** | **USD** | **KHR'000** |
| **Income tax:** | | | | |
| - Current year | 576,794 | 2,333,132 | 1,531,279 | 6,239,962 |

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Group** | **USD** | **KHR'000** | **USD** | **KHR'000** |
| Profit before tax | 1,643,736 | 6,648,914 | 16,656,699 | 67,876,049 |
| Tax calculated at the Cambodian tax rate of 20% | 328,747 | 1,329,782 | 3,331,340 | 13,575,211 |
| **Tax effects in respect of:** | | | | |
| Expenses not deductible for tax purposes | 575,818 | 2,329,184 | 544,119 | 2,217,285 |
| Tax incentives and allowances | (158,207) | (639,947) | (269,133) | (1,096,717) |
| Income recorded, but not taxable during the period | (169,564) | (685,887) | (2,081,065) | (8,480,340) |
| Minimum tax paid | - | - | 6,018 | 24,523 |
| Income tax expense | 576,794 | 2,333,132 | 1,531,279 | 6,239,962 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 21. INCOME TAX EXPENSE (CONTINUED)

Under the Cambodian Law of Taxation, the Company has an obligation to pay income tax at a higher of, 20% based on profit before tax (2019: 20%) or 1% based on total revenue (2019: 1%).

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Company** | **USD** | **KHR'000** | **USD** | **KHR'000** |
| **Income tax:** | | | | |
| - Current year | 68,437 | 276,828 | 1,456,262 | 5,934,268 |

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **USD** | **KHR'000** | **USD** | **KHR'000** |
| **Company** | | | | |
| Profit before tax | 696,899 | 2,818,956 | 17,525,516 | 71,416,478 |
| Tax calculated at the Cambodian tax rate of 20% | 139,380 | 563,791 | 3,505,103 | 14,283,296 |
| **Tax effects in respect of:** | | | | |
| Expenses not deductible for tax purposes | 256,828 | 1,038,869 | 280,746 | 1,144,039 |
| Tax incentives and allowances | (158,207) | (639,947) | (248,522) | (1,012,727) |
| Income recorded, but not taxable during the period | (169,564) | (685,885) | (2,081,065) | (8,480,340) |
| Income tax expense | 68,437 | 276,828 | 1,456,262 | 5,934,268 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 22. EARNINGS PER SHARE

Basic earnings per share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Group** | **USD** | **KHR'000** | **USD** | **KHR'000** |
| Profit for the financial year attributable to owners of the Company | 816,054 | 3,300,940 | 14,761,820 | 60,154,417 |
| | **Units** | **Units** | **Units** | **Units** |
| Number of ordinary shares in issue | 71,875,000 | 71,875,000 | 71,875,000 | 71,875,000 |
| | **USD** | **KHR'000** | **USD** | **KHR'000** |
| Basic and diluted earnings per share | 0.01 | 0.05 | 0.21 | 0.84 |

## 23. DIVIDEND

In respect of the financial year ended 31 December 2018, dividend of USD0.009 or KHR32 was declared and paid on 21 October 2019 amounted to USD578,669 or KHR2,360,717,000.

The directors do not recommend or declared the payment of any dividend in respect of the financial year ended 31 December 2019.

## 24. 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 compared to other countries. Management believes that tax liabilities have been adequately provided based on its interpretation of tax legislations. However, the relevant authorities may have differing interpretations and effects could be significant.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 25. RELATED PARTY TRANSACTIONS

(a) In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | 31.12.2020 | | 31.12.2019 | | 31.12.2020 | | 31.12.2019 | |
| | US$ | KHR'000 | US$ | KHR'000 | US$ | KHR'000 | US$ | KHR'000 |
| **Subsidiaries:** | | | | | | | | |
| Phnom Penh SEZ II Co., Ltd. | | | | | | | | |
| - Management fee | - | - | - | - | 1,200,000 | 4,854,000 | - | - |
| - Payments on behalf | - | - | - | - | (324,061) | (1,310,826) | (12,916) | (52,631) |
| Poi Pet PPSEZ Co., Ltd. | | | | | | | | |
| - Payments on behalf | - | - | - | - | (859,742) | (3,477,656) | (1,674,141) | (6,822,123) |
| Sahas E&C Co., Ltd. | | | | | | | | |
| - Project of construction service | - | - | - | - | (999,241) | (4,041,930) | (4,200,318) | (17,116,297) |
| Sahas Security Co., Ltd. | | | | | | | | |
| - Purchase of security service | - | - | - | - | (138,561) | (560,479) | (124,790) | (508,517) |
| Sahas Properties Co., Ltd. | | | | | | | | |
| - Payments on behalf | - | - | - | - | (279,491) | (1,130,541) | (12,241) | (49,880) |
| **Associates:** | | | | | | | | |
| Colben Energy (Cambodia) PPSEZ Ltd. | | | | | | | | |
| - Purchase of electricity | (429,010) | (1,735,345) | (422,571) | (1,721,978) | (429,010) | (1,735,345) | (422,571) | (1,721,978) |
| - Deferred revenue | 548,000 | 2,216,660 | 548,000 | 2,233,100 | 548,000 | 2,216,660 | 548,000 | 2,233,100 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 25. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties at the end of the reporting period are disclosed in Note 10 and Note 16 to the financial statements. The related party transactions described above were carried out on negotiated commercial terms.

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

(c) Compensation of key management personnel.

Key management personnel of the Group refer to the Directors of the Company and certain senior management whereby the authority and responsibility for planning, directing and controlling the activities of the Company, directly and indirectly lies.

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | **USD** | **KHR'000** | **USD** | **KHR'000** |
| **Group and Company** | | | | |
| Short term employees benefit | 819,244 | 3,313,842 | 795,652 | 3,242,282 |

## 26. CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital are to ensure that the Group and the Company continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Capital structure represents the Group's and the Company's ordinary shares and retained earnings.

The Group and the Company were in compliance with the financial debt covenants imposed by the financial institutions for the financial year ended 31 December 2020.

## 27. FINANCIAL INSTRUMENTS

**Categories of financial instruments**

Trade and other receivables (excluding input value added taxes, withholding tax credit and prepayments), cash and cash equivalents, loans and borrowings, contract liabilities and trade and other payables are categorised as amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 27. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives and policies

The Group and the Company's activities are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and liquidity risk and interest rate risk. The Group and the Company's overall financial risk management objective is to ensure that the Group and the Company create value for their shareholders. Financial risk management is carried out through risk reviews, internal control system and adherence to the Company's financial risk management policies.

(a) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk from its operating activities (primarily trade and other receivables) and from its financing activities including deposits with license banks. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Credit quality of a customer is assessed based on an extension credit rating scorecard and individual credit limits are defined in accordance with this assessment.

**Trade receivables**

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by their carrying amounts in the statement of financial position.

The carrying amounts of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group and the Company apply the simplified approach to providing for impairment losses prescribed by CIFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information. However, based on the assessment performed by the management, the identified impairment losses were immaterial.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. FINANCIAL INSTRUMENTS (CONTINUED)**

**Financial risk management objectives and policies (continued)**

(a) Credit risk (continued)

**Other receivables and other financial assets**

For other receivables and other financial assets (including deposits with licensed banks), the Group and the Company minimise credit risk by dealing exclusively with counterparties with high credit rating.

At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and deposits with licensed banks is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon the initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increase in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviours of the borrower, including changes in the payment status of borrowers in the Group and the Company and changes in the operating results of the borrower

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

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. FINANCIAL INSTRUMENTS (CONTINUED)**

**Financial risk management objectives and policies (continued)**

(a) Credit risk (continued)

Based on the assessment, the ECL exposure to other receivables is immaterial to the financial statements as a whole. The amounts due from subsidiaries, associates, related parties, directors and shareholders are repayable on demand. Hence, ECL are based on the assumption that repayment of loans is demanded at the reporting date, with short contractual period for payment. In the case of the Group and the Company, the subsidiaries, associates, related parties, directors and shareholders have sufficient assessable highly liquid assets to repay the balances if demanded at the reporting date. Therefore, the ECL is likely to be immaterial with probability of default close to 0%. As at end of the reporting date, the Group and the Company did not recognise any loss allowance for impairment for other receivables, amounts due from subsidiaries, associates, related parties, directors, shareholders and other financial assets.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations when they fall due. The Group and the Company’s exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group and the Company’s exposure to liquidity risk arise principally from loans and borrowings, contract liabilities and trade and other payables.

The Group and the Company’s objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investment and minimise cost of borrowed funds. The Group and the Company’s treasury department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. FINANCIAL INSTRUMENTS (CONTINUED)**

**Financial risk management objectives and policies (continued)**

(b) Liquidity risk (continued)

The following table details the remaining contractual maturities at the end of reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group and the Company can be required to pay:

| Group | Carring amount USD | KHR'000 | Total USD | Within 1 year or on demand USD | More than 1 year but less than 5 years USD | More than 5 years USD |
|---|---|---|---|---|---|---|
| **At 31 December 2020** | | | | | | |
| Loans and borrowings | 18,672,815 | 75,531,536 | 18,672,815 | 4,532,184 | 12,848,464 | 1,292,167 |
| Contract liabilities | 9,316,000 | 37,683,220 | 9,316,000 | 548,000 | 2,740,000 | 6,028,000 |
| Trade and other payables | 6,884,738 | 27,848,765 | 6,884,738 | 6,884,738 | - | - |
| | 34,873,553 | 141,063,521 | 34,873,553 | 11,964,922 | 15,588,464 | 7,320,167 |
| **At 31 December 2019** | | | | | | |
| Loans and borrowings | 17,671,177 | 72,010,046 | 17,671,177 | 8,218,838 | 8,759,178 | 693,161 |
| Contract liabilities | 9,864,000 | 40,195,800 | 9,864,000 | 548,000 | 2,740,000 | 6,576,000 |
| Trade and other payables | 5,828,314 | 23,750,379 | 5,828,314 | 5,828,314 | - | - |
| | 33,363,491 | 135,956,225 | 33,363,491 | 14,595,152 | 11,499,178 | 7,269,161 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. FINANCIAL INSTRUMENTS (CONTINUED)**

**Financial risk management objectives and policies (continued)**

(b) Liquidity risk (continued)

The following table details the remaining contractual maturities at the end of reporting period of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of reporting period) and the earliest date the Group and the Company can be required to pay:

| Company | Carring amount USD | KHR'000 | Total USD | Within 1 year or on demand USD | More than 1 year but less than 5 years USD | More than 5 years USD |
|---|---|---|---|---|---|---|
| **At 31 December 2020** | | | | | | |
| Loans and borrowings | 17,231,387 | 69,700,959 | 17,231,387 | 4,379,778 | 11,559,442 | 1,292,167 |
| Contract liabilities | 9,316,000 | 37,683,220 | 9,316,000 | 548,000 | 2,740,000 | 6,028,000 |
| Trade and other payables | 5,741,870 | 23,225,864 | 5,741,870 | 5,741,870 | - | - |
| | 32,289,257 | 130,610,043 | 32,289,257 | 10,669,648 | 14,299,442 | 7,320,167 |
| **At 31 December 2019** | | | | | | |
| Loans and borrowings | 16,538,841 | 67,395,777 | 16,538,841 | 8,076,763 | 8,081,428 | 380,650 |
| Contract liabilities | 9,864,000 | 40,195,800 | 9,864,000 | 548,000 | 2,740,000 | 6,576,000 |
| Trade and other payables | 6,759,622 | 27,545,460 | 6,759,622 | 6,759,622 | - | - |
| | 33,162,463 | 135,137,037 | 33,162,463 | 15,384,385 | 10,821,428 | 6,956,650 |

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 27. FINANCIAL INSTRUMENTS (CONTINUED)

**Financial risk management objectives and policies (continued)**

(c) Interest rate risk

Interest rate risk is the risk that future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises primarily from borrowings issued at floating rates and short term deposits. The Group and the Company do not enter into any financial instruments to hedge movements in interest rates as the risk is deemed to be insignificant.

A reasonable change in the interest rates would not result in a material impact to the Group's results for the financial year.

(d) Fair values

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

Other than the investment properties, loans and borrowings, the carrying amount of all financial assets and liabilities are approximate to their fair value due to the relatively short-term nature of these financial instruments. The Group and the Company measure the investment properties, loans and borrowings as Level 3 in the fair value hierarchy of CIFRS 13.

## 28. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's decision makers. Those whom is responsible for allocating resources to and assessing the performance of the operating segments has been identified as the key management team. The Group mainly operates in one operating segment, being the real estate related business.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

## 29. COMMITMENTS

### (a) Capital commitments

The Group and the Company have approved but not contracted for the following capital expenditures in respect of property, plant and equipment and inventories:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| **Group** | **USD** | **KHR'000** | **USD** | **KHR'000** |
| Property, plant and equipment | 3,157,279 | 12,771,192 | 2,085,434 | 8,498,144 |
| Inventories - Freehold land (Note 9) | 9,072,034 | 36,696,376 | 9,072,034 | 36,968,539 |
| **Company** | | | | |
| Property, plant and equipment | 3,157,279 | 12,771,192 | 1,149,290 | 4,683,357 |
| Inventories - Freehold land (Note 9) | 9,072,034 | 36,696,376 | 9,072,034 | 36,968,539 |

### (b) Non-cancellable operating leases

The Group has entered into a non-cancellable lease contract that has yet to commence as at 31 December 2020. The future lease payments for the non-cancellable lease contract is USD38,834 or KHR157,083,000 within a year, and USD13,320 or KHR53,879,400 within the second year.

## 30. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. The COVID-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties in Cambodia and markets in which the Group and the Company operate.

The Group and the Company have performed a preliminary assessment of the overall impact of the situation on the Group and the Company's operations and financial implications, including the recoverability of the carrying amount of assets and measurements of assets and liabilities and concluded that there is no material adverse effects on the financial statements for the financial year ended 31 December 2020.

Given the fluidity of the situation, the Group and the Company are unable to reasonably estimate the complete financial impacts of COVID-19 pandemic for the financial year ending 31 December 2021 to be disclosed in the financial statements as impact assessment of the COVID-19 pandemic is a continuing process. The Group and the Company will continuously monitor any material changes to future economic conditions that will affect the Group and the Company.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 31. MATERIAL LITIGATION AND CONTINGENT LIABILITIES

The Group exercises judgement in measuring exposures to contingent liabilities related to outstanding claim subject to arbitration. Judgement is required to assess the likelihood that a pending claim will succeed, or a liability will arise, and to quantify the possible range of any financial settlement. The inherent uncertainty of such matters means that actual losses may materially differ from estimates.

In November 2020, a Notice of Arbitration was lodged at the Singapore International Arbitration Centre by Colben System Pte Ltd, a 51% associate of the Company and Colben Energy Holdings (PPSEZ) Limited (together, the Claimants) against the Company claiming that the Company had breached certain terms of the Joint Venture Agreement entered into by the Company and one of the Claimants.

The matter is currently under arbitration proceeding. The directors of the Company consider it to be a frivolous and baseless claim and that the outcome of this arbitration would be in the Company's favour. As such the directors are of the view that a provision in relation to this claim is not necessary. The potential undiscounted amount of the total payments that the Company would be required to make if there was an adverse outcome for the Company, as claimed by the Claimants is USD14.41 million at a minimum.

### 32. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2021.

bakertilly

Baker Tilly (Cambodia) Co., Ltd.
Certified Public Accountants
No. 87, Street 294,
Sangkat Boeung Keng Kang 1,
Khan Chamka Morn,
Phnom Penh,
Cambodia.

T: +855 23 987 100
+855 23 987 388

info@bakertilly.com.kh
www.bakertilly.com.kh

Company No. 00006448

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHNOM PENH SEZ PLC.**
(Incorporated in Cambodia)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of PHNOM PENH SEZ PLC., which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements 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 notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 80.

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 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with the Cambodian International Financial Reporting Standards ("CIFRSs").

### 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 are independent of the Group and of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and the requirements of Kampuchea Institute of Certified Public Accountant and Auditors' Code of Ethics for Certified Public Accountants and Auditors ("KICPAA Code"). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and ethical requirements of KICPAA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significant 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.

Company No. 00006448

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF**
**PHNOM PENH SEZ PLC. (CONTINUED)**
(Incorporated in Cambodia)

**Key Audit Matters (continued)**

**(a) Revenue recognition for sale of land (Note 17 to the financial statements)**

The sale of land is recognised by the Group and the Company at a point in time upon the satisfaction of a single performance obligation where the land is available to be occupied by the tenants. We focused on this area because significant judgement is required to be exercised by the Group and the Company, in particular with regards in determining the timing of the land being made available for occupation by the tenants.

**Our audit response:**

Our audit procedures included, among others:

- understanding the design and implementation of controls over the Group's and the Company's process in revenue, receivables and receipt cycle of their land sale;
- discussing the timing and status of handover for the land sale with the management by verifying its corresponding agreements;
- assessing the reasonableness of management's assessment of CIFRS 15 with its corresponding agreements and documents for their land sale;
- testing the mathematical accuracy of revenue and corresponding cost recognised; and
- assessing the adequacy of disclosure in the financial statements.

**(b) Trade and other receivables (Note 10 to the financial statements)**

The Group and the Company has significant trade and other receivables as at 31 December 2020 which include certain amounts which are long outstanding. We focused on this area because the Group and the Company made significant judgements over assumption about risk of default and expected loss rate. In making these assumptions, the Group and the Company selected inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimates at the end of the reporting period.

**Our audit response:**

Our audit procedures included, among others:

- understanding the design and implementation of controls associated with monitoring of outstanding receivables and impairment calculation;
- developing understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports and other collection or legal reports prepared by management;
- obtaining confirmation of balances from selected receivables;
- checking subsequent receipts, customer correspondence and considering level of activity with the customer and management explanation on recoverability with significantly past due balances; and
- assessing the reasonableness and calculation of expected credit losses as at the end of the reporting period.

Company No. 00006448

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHNOM PENH SEZ PLC. (CONTINUED)**
(Incorporated in Cambodia)

**Key Audit Matters (continued)**

**(c) Material litigation and contingent liabilities (Note 31 to the financial statements)**

A Notice of Arbitration was lodged against the Group and the Company as disclosed in Note 31 to the financial statements. Judgement is required to assess the likelihood of this liability crystallizing, so as to assess whether a liability should be recognised and, if so, the amount of that liability.

**Our audit response:**

Our audit procedures included, among others:

- Understanding the design and implementation of controls over the identification and calculation of the provisions;
- Evaluating the Group's assessment of the nature and status of the case and considering the probability of a liability crystallising;
- Reading legal opinion obtained by management;
- Discussing with the management and external solicitors and reading of subsequent correspondences.

**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 Directors' Report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements of the Group and 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 Directors' Report, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the Financial Statements**

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Cambodian International Financial Reporting Standards. The directors are also responsible for such internal controls as the directors determine are 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.

Company No. 00006448

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHNOM PENH SEZ PLC. (CONTINUED)**
(Incorporated in Cambodia)

**Responsibilities of the Directors for the Financial Statements (continued)**

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

The directors of the Company are responsible for overseeing the Group's and the Company's financial reporting process.

**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 these 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 the Group's and of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. 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 a going concern.
- 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 represent the underlying transactions and events in a manner that achieves fair presentation.

bakertilly

Company No. 00006448

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PHNOM PENH SEZ PLC. (CONTINUED)**
(Incorporated in Cambodia)

**Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

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

- 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. 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.

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 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.

**Other Matters**

This report is made solely to the members of the Company, as a body, and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

BAKER TILLY (CAMBODIA) CO., LTD.
KINGDOM OF CAMBODIA

**Baker Tilly (Cambodia) Co., Ltd.**
Certified Public Accountants

**Tan Khee Meng**
Certified Public Accountant

Phnom Penh, Kingdom of Cambodia

Date: 30 March 2021

PHNOM PENH SPECIAL ECONOMIC ZONE
COMMITTED TO THE FUTURE

# 7. RELATED TRANSACTIONS

## 7.1 Material transaction with substantial or controlling shareholders

We did not have any material transactions with substantial or controlling shareholders in 2020.

## 7.2 Material transaction with the company's Directors or Management Personnel or any person whereby directors or Management Personnel have interest

We did not have any material transactions with company's directors or officers or any person whereby directors or senior officers have interest in 2020.

## 7.3 Material transaction with the company's Directors or Management Personnel

We did not have any material transactions with the company's Directors or Management Personnel in 2020.

## 7.4 Material transaction with family member of company's Directors or Management Personnel.

We did not have any material transactions with the family members of company's directors or Management Personnel in 2020.

## 7.5 Material transactions with any person who was company's director or related to the former company's directors for the last 2 years

We did not have any material transactions with any person who was company's director or related to the former company's directors for the last 2 years.

## 7.6 Material transaction with company's directors receiving any interest through professional fee for their services in which they provided via any legal entity to the company.

We did not have this type of Material transaction with company's directors receiving any interest through professional fee for their services in which they provided via any legal entity to the company.

## 7.7 Main transactions with other related parties.

We did not have any material transactions with other related parties.

## 7.8 Material transactions with any person who was social in the society, other organization, or other companies beside listed

We did not have any material transactions with any person who was social in the society, other organization, or other companies beside listed.

# 8. MANAGEMENT DESCRIPTION & ANALYSIS

## 8.1 Overview of operations

### A. Revenue Analysis

| | |
|---|---|
| Total Revenue for the Period of 67,477,201 KHR'000 in FY 2020, a decrease of 56% Y-o-Y | In year 2020 ("FY 2020"), PPSP reported total revenue of 67,477,201 KHR'000, a decrease of 56% Y-o-Y compared to the amount 152,053,658 KHR'000 in year 2019 ("FY 2019") mainly from substantial decrease in revenue from land sold (33,898,123 KHR'000 vs. 134,558,297 KHR'000 in FY 2019). |

### B. Revenue Breakdown by sector

The Revenue from Land Sold for the Period of 33,898,123 KHR'000 in FY 2020, accounting for 26.69% of Total Revenue

Total revenue breakdown over the last two (2) fiscal years are shown as follow:

| No | Source | FY 2020 | | FY 2019 | |
|---|---|---|---|---|---|
| | | Quantity | % | Quantity | % |
| 1 | Sale of land | 33,898,123 | 50.24% | 134,558,297 | 88.49% |
| 2 | Service rendered | 15,469,387 | 22.93% | 11,900,002 | 7.83% |
| 3 | Construction Revenue | 10,165,889 | 15.07% | 1,636,047 | 1.08% |
| 4 | Rental income | 7,943,802 | 11.77% | 3,959,311 | 2.60% |
| | Total | 67,477,201 | 100.00% | 152,053,658 | 100.00% |

**Unit:** KHR '000

### C. Gross profit gap analysis

| | |
|---|---|
| Gross profit for the Period of 32,921,961 KHR'000 in FY 2020, an decrease of 65% | In FY 2020, PPSP reported consolidated gross profit of 32,921,961 KHR'000, a decrease of 65% Y-o-Y compared to the amount 92,749,087 KHR'000 in FY 2019. % gross profit margin decreased to 48.79% compared to 61.00% in FY 2019. |

### D. Analysis of pre-tax profits

| | |
|---|---|
| Profit before tax for the Period of 6,648,914 KHR'000 in FY 2020 | In FY 2020, PPSP reported consolidated profit before tax of 6,648,914 KHR'000, compared to the profit of 67,876,049 KHR'000 in FY 2019. |

### E. After tax profit Analysis

| | |
|---|---|
| Profit after tax for the Period of 4,315,782 KHR'000 in FY 2020 | In FY 2020, PPSP reported consolidated profit after tax of 4,315,782 KHR'000, compared to the profit of 61,636,087 KHR'000 in FY 2019. |

### F. Total comprehensive income (Loss) analysis

| | |
|---|---|
| Total comprehensive income for the Period of 4,315,782 KHR'000 in FY 2020 | In FY 2020, PPSP reported total comprehensive income of 4,315,782 KHR'000, compared to total comprehensive income of 61,636,087 KHR'000 in FY 2019. |

### G. Analysis of factors and trends affecting the financial condition and results

As previously mentioned, total revenues and profit after tax are largely effected by the land sales.

## 8.2 Key factors which have an effect on profitability

### A. Supply vs. Demand

The recently published IMF staff report on Cambodia projects economic activity to grow by around seven percent over the next few years. Some investors appear in wait and-see mode ahead of next year's general elections. Country is on the verge of climbing up the manufacturing value chains. These further efforts can help facilitate higher growth. On the upside, the global outlook is favorable, public spending is increasing, construction momentum remains robust and tourism activity has picked up pace.

Looking further ahead, growth will likely decline to about six percent a year. This reflects an expected slowdown in credit and real-estate cycles and challenges in improving diversification and competitiveness.

### B. Fluctuation of raw materials price

There was no raw materials required during 2019 since we are industrial estate development business.

### C. Change of Tax Scheme

This was no change on the related tax scheme during 2019.

### D. Unusual or extraordinary items

There was no extraordinary income and expense during the 4th quarter of 2019.

## 8.3 Significant variation in sales and revenue

As previously mentioned, total revenues and profit after taxes were largely improved as the revenue from land sales significantly increased.

## 8.4 The impact of currency exchange rates and commodity prices

Recent US dollar depreciation against other regional currencies like Yen, Thai Baht may be positive to investment decision by foreign manufacturers.

## 8.5 Impact of Inflation

Inflation has not affect significantly on our financial performance.

## 8.6 Economic policy, the government's fiscal and monetary

The key policies that influence our business are:

The 2015-2025 Industry Development Policy of Cambodia, aiming to orient market and create favorable conditions to promote development of the industry, is attracting foreign direct investment focusing on major industries, expanding the market, transferring technology, training human resources, developing infrastructure and developing special economic zones as well as the industrial zone preparation.

In addition, the tax incentives in securities sector to listed companies are encouraging rapid development of infrastructure and strengthening management to attract investment in the development of long-term financing.

On the contrary, government policies also have negative implications for our business. In that case, while patent registration charge in 2015 is only 1,400,000 KHR, change of Fiscal law in 2016 has effect on the charge as follow:

1. 400,000 KHR for small enterprise
2. 1,200,000 KHR for medium enterprise
3. For large enterprise

2.1 3,000,000 KHR will be charged for the company with revenue from 2,000 million riel to 10,000 million riel.

2.2 5,000,000 KHR will be charged for the company with revenue exceed 10,000 million riel.

In spite of change as above, it, however, does not significantly affect the investment decision.


PHNOM PENH SEZ PLC.
National Road No. 4, Sangkat Kantouk, Khan Posenchey, Phnom Penh, Cambodia
+855 (0)23 729 798 +855 (0)23 729 799 sales@ppsez.com
www.ppsez.com

PHNOM PENH SPECIAL ECONOMIC ZONE
COMMITTED TO THE FUTURE

# Signature of the Directors of the Publisher

March 31, 2021

Read and agree

**Mr. Tan Kak Khun**

**Non-Executive Chairman**

March 31, 2021

Read and agree

**Mr. Hiroshi Uematsu**

Executive Director/CEO

March 31, 2021

Read and agree

**Mr. Kang Wei Geih**

Independent Director

March 31, 2021

Read and agree

**Mr. Hem Sovath**

Independent Director

March 31, 2021

Read and agree

大坪広元

**Mr. Hiroshi Otsubo**

Non-Executive Director

March 31, 2021

Read and agree

豊田賢治

**Mr. Kenji Toyota**

Non-Executive Director

March 31, 2021

Read and agree

**Mr.Tanate Piriyothinkul** Non-Executive Director