

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

**DIRECTORS' REPORT  
AND  
AUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

**Company No. 00006448**

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

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

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**Company No. 00006448**

**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 2021.

## **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**

	<b>Group</b>	
	<b>USD</b>	<b>KHR'000</b>
Profit for the financial year, attributable to:		
Owners of the Company	1,969,829	8,025,084
Non-controlling interests	(56,007)	(228,173)
	<u>1,913,822</u>	<u>7,796,911</u>
	<b>Company</b>	
	<b>USD</b>	<b>KHR'000</b>
Profit for the financial year	<u>365,262</u>	<u>1,488,077</u>

## **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.

**PHNOM PENH SEZ PLC.**  
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## **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.

**PHNOM PENH SEZ PLC.**  
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## **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) 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	(Resigned on 1 July 2021)
Uematsu Hiroshi	
Hiroshi Otsubo	
Kang Wei Geih	
Kenji Toyota	(Resigned on 26 January 2022)
Tan Kak Khun	(Resigned on 26 January 2022)
Tanate Piriyothinkul	
Arthur Law	(Appointed on 1 July 2021)
Neak Oknha Kith Meng	(Appointed on 26 January 2022)
Mark Hanna	(Appointed on 26 January 2022)

### **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.

**PHNOM PENH SEZ PLC.**  
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## **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 31 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 2021, 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.

**Company No. 00006448**

**PHNOM PENH SEZ PLC.**  
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**DIRECTORS' REPORT (CONTINUED)**

**APPROVAL OF THE FINANCIAL STATEMENTS**

I, **UEMATSU HIROSHI**, 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 2021 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors,



.....  
**UEMATSU HIROSHI**  
Director

Date: **30 MAR 2022**

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

**STATEMENTS OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2021**

	Note	Group			
		2021		2020	
		USD	KHR'000	USD	KHR'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	17,651,996	71,914,231	13,584,990	54,951,285
Investment properties	6	10,437,603	42,522,794	9,998,571	40,444,219
Investment in subsidiaries	7	-	-	-	-
Investment in associates	8	12,697,262	51,728,646	10,876,126	43,993,930
<b>Total non-current assets</b>		<b>40,786,861</b>	<b>166,165,671</b>	<b>34,459,687</b>	<b>139,389,434</b>
<b>Current assets</b>					
Inventories	9	36,569,137	148,982,664	36,499,627	147,640,991
Trade and other receivables	10	21,550,960	87,798,613	22,365,303	90,467,650
Cash and cash equivalents	11	5,716,017	23,287,054	1,622,634	6,563,555
<b>Total current assets</b>		<b>63,836,114</b>	<b>260,068,331</b>	<b>60,487,564</b>	<b>244,672,196</b>
<b>TOTAL ASSETS</b>		<b>104,622,975</b>	<b>426,234,002</b>	<b>94,947,251</b>	<b>384,061,630</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	12	35,937,500	146,409,375	35,937,500	145,367,188
Share premium	13	4,575,051	18,638,758	4,575,051	18,506,081
Retained earnings		20,368,679	82,981,998	18,475,706	74,734,232
		60,881,230	248,030,131	58,988,257	238,607,501
Non-controlling interests		(6,666)	(27,157)	1,082,465	4,378,570
<b>TOTAL EQUITY</b>		<b>60,874,564</b>	<b>248,002,974</b>	<b>60,070,722</b>	<b>242,986,071</b>
<b>Non-current liabilities</b>					
Loans and borrowings	14	13,481,714	54,924,503	14,291,704	57,809,942
Contract liabilities	15	8,220,000	33,488,280	8,768,000	35,466,560
<b>Total non-current liabilities</b>		<b>21,701,714</b>	<b>88,412,783</b>	<b>23,059,704</b>	<b>93,276,502</b>
<b>Current liabilities</b>					
Loans and borrowings	14	3,371,527	13,735,601	4,381,111	17,721,594
Current tax liabilities		16,279	66,321	2,976	12,038
Trade and other payables	16	18,286,103	74,497,585	6,884,738	27,848,765
Contract liabilities	15	372,788	1,518,738	548,000	2,216,660
<b>Total current liabilities</b>		<b>22,046,697</b>	<b>89,818,245</b>	<b>11,816,825</b>	<b>47,799,057</b>
<b>TOTAL LIABILITIES</b>		<b>43,748,411</b>	<b>178,231,028</b>	<b>34,876,529</b>	<b>141,075,559</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>104,622,975</b>	<b>426,234,002</b>	<b>94,947,251</b>	<b>384,061,630</b>



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

**STATEMENTS OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2021 (CONTINUED)**

		Company			
		2021		2020	
	Note	USD	KHR'000	USD	KHR'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	14,722,133	59,977,970	13,735,616	55,560,567
Investment properties	6	7,731,228	31,497,023	8,112,341	32,814,419
Investment in subsidiaries	7	39,983,104	162,891,166	21,800,000	88,181,000
Investment in associates	8	11,572,712	47,147,229	10,876,126	43,993,930
<b>Total non-current assets</b>		<b>74,009,177</b>	<b>301,513,388</b>	<b>54,524,083</b>	<b>220,549,916</b>
<b>Current assets</b>					
Inventories	9	12,107,985	49,327,931	12,778,447	51,688,818
Trade and other receivables	10	8,538,465	34,785,706	26,242,491	106,150,876
Cash and cash equivalents	11	682,473	2,780,395	278,243	1,125,492
<b>Total current assets</b>		<b>21,328,923</b>	<b>86,894,032</b>	<b>39,299,181</b>	<b>158,965,186</b>
<b>TOTAL ASSETS</b>		<b>95,338,100</b>	<b>388,407,420</b>	<b>93,823,264</b>	<b>379,515,102</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the Company</b>					
Share capital	12	35,937,500	146,409,375	35,937,500	145,367,188
Share premium	13	4,575,051	18,638,758	4,575,051	18,506,081
Retained earnings		21,386,718	87,129,489	21,021,456	85,031,790
<b>TOTAL EQUITY</b>		<b>61,899,269</b>	<b>252,177,622</b>	<b>61,534,007</b>	<b>248,905,059</b>
<b>Non-current liabilities</b>					
Loans and borrowings	14	9,427,605	38,408,063	13,070,032	52,868,278
Contract liabilities	15	8,220,000	33,488,280	8,768,000	35,466,560
<b>Total non-current liabilities</b>		<b>17,647,605</b>	<b>71,896,343</b>	<b>21,838,032</b>	<b>88,334,838</b>
<b>Current liabilities</b>					
Loans and borrowings	14	2,538,907	10,343,507	4,161,355	16,832,681
Trade and other payables	16	12,704,319	51,757,396	5,741,870	23,225,864
Contract liabilities	15	548,000	2,232,552	548,000	2,216,660
<b>Total current liabilities</b>		<b>15,791,226</b>	<b>64,333,455</b>	<b>10,451,225</b>	<b>42,275,205</b>
<b>TOTAL LIABILITIES</b>		<b>33,438,831</b>	<b>136,229,798</b>	<b>32,289,257</b>	<b>130,610,043</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>95,338,100</b>	<b>388,407,420</b>	<b>93,823,264</b>	<b>379,515,102</b>

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 2021**

	Note	Group			
		2021		2020	
		USD	KHR'000	USD	KHR'000
Revenue	17	28,907,092	117,767,493	16,681,632	67,477,201
Cost of sales		(17,931,012)	(73,050,943)	(8,542,705)	(34,555,240)
<b>Gross profit</b>		<b>10,976,080</b>	<b>44,716,550</b>	<b>8,138,927</b>	<b>32,921,961</b>
Other income	18	194,186	791,114	35,783	144,742
Administrative expenses		(6,866,172)	(27,972,785)	(5,741,854)	(23,225,799)
<b>Operating profit</b>		<b>4,304,094</b>	<b>17,534,879</b>	<b>2,432,856</b>	<b>9,840,904</b>
Finance costs	19	(1,479,196)	(6,026,245)	(1,453,065)	(5,877,648)
Share of results of associates		270,944	1,103,826	663,945	2,685,658
<b>Profit before tax</b>	20	<b>3,095,842</b>	<b>12,612,460</b>	<b>1,643,736</b>	<b>6,648,914</b>
Income tax expense	21	(1,182,020)	(4,815,549)	(576,794)	(2,333,132)
<b>Profit for the financial year, representing total comprehensive income</b>		<b>1,913,822</b>	<b>7,796,911</b>	<b>1,066,942</b>	<b>4,315,782</b>
<b>Profit/(loss), representing total comprehensive income/(loss) attributable to:</b>					
Owners of the Company		1,969,829	8,025,084	816,054	3,300,940
Non-controlling interests		(56,007)	(228,173)	250,888	1,014,842
		<b>1,913,822</b>	<b>7,796,911</b>	<b>1,066,942</b>	<b>4,315,782</b>
<b>Basic/diluted earnings per share</b>	22	<b>0.03</b>	<b>0.11</b>	<b>0.01</b>	<b>0.05</b>

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

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

	Note	Company			
		2021		2020	
		USD	KHR'000	USD	KHR'000
Revenue	17	8,994,342	36,642,949	6,620,454	26,779,736
Cost of sales		(4,820,038)	(19,636,835)	(2,510,482)	(10,154,900)
<b>Gross profit</b>		<u>4,174,304</u>	<u>17,006,114</u>	<u>4,109,972</u>	<u>16,624,836</u>
Other income	18	1,381,152	5,626,813	1,235,470	4,997,476
Administrative expenses		(4,139,099)	(16,862,689)	(4,178,579)	(16,902,352)
<b>Operating profit</b>		<u>1,416,357</u>	<u>5,770,238</u>	<u>1,166,863</u>	<u>4,719,960</u>
Finance costs	19	(1,170,642)	(4,769,196)	(1,348,830)	(5,456,017)
Share of results of associates		270,944	1,103,826	878,866	3,555,013
<b>Profit before tax</b>	20	<u>516,659</u>	<u>2,104,868</u>	<u>696,899</u>	<u>2,818,956</u>
Income tax expense	21	(151,397)	(616,791)	(68,437)	(276,828)
<b>Profit for the financial year, representing total comprehensive income</b>		<u><b>365,262</b></u>	<u><b>1,488,077</b></u>	<u><b>628,462</b></u>	<u><b>2,542,128</b></u>

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

Company No. 00006448

**PHNOM PENH SEZ PLC.**  
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**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	Attributable to owners of the Company			Non-controlling interests USD	Total equity USD	
		Share capital USD	Share premium USD	Retained earnings USD			Sub-total USD
<b>Group</b>							
<b>At 1 January 2020</b>		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
<b>At 31 December 2020</b>		<b>35,937,500</b>	<b>4,575,051</b>	<b>18,475,706</b>	<b>58,988,257</b>	<b>1,082,465</b>	<b>60,070,722</b>
Profit for the financial year, representing total comprehensive income		-	-	1,969,829	1,969,829	(56,007)	1,913,822
<b>Transaction with owners</b>							
<b><u>Changes in ownership interest</u></b>							
- Acquisition of non-controlling interest with subsidiaries	7	-	-	(76,856)	(76,856)	(1,033,124)	(1,109,980)
<b>At 31 December 2021</b>		<b>35,937,500</b>	<b>4,575,051</b>	<b>20,368,679</b>	<b>60,881,230</b>	<b>(6,666)</b>	<b>60,874,564</b>
<b>At 31 December 2021 (KHR'000)</b>		<b>146,409,375</b>	<b>18,638,758</b>	<b>82,981,998</b>	<b>248,030,131</b>	<b>(27,157)</b>	<b>248,002,974</b>

**Company No. 00006448**

**PHNOM PENH SEZ PLC.**  
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**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

	<b>Share capital USD</b>	<b>Share premium USD</b>	<b>Retained earnings USD</b>	<b>Total equity USD</b>
<b>Company</b>				
<b>At 1 January 2020</b>	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
<b>At 31 December 2020</b>	<b>35,937,500</b>	<b>4,575,051</b>	<b>21,021,456</b>	<b>61,534,007</b>
Profit for the financial year, representing total comprehensive income	-	-	365,262	365,262
<b>At 31 December 2021</b>	<b>35,937,500</b>	<b>4,575,051</b>	<b>21,386,718</b>	<b>61,899,269</b>
<b>At 31 December 2021 (KHR'000)</b>	<b>146,409,375</b>	<b>18,638,758</b>	<b>87,129,489</b>	<b>252,177,622</b>

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 2021**

	Note	Group		Group	
		2021 USD	KHR'000	2020 USD	KHR'000
<b>Cash flows from operating activities</b>					
<b>Profit before tax</b>		<b>3,095,842</b>	<b>12,612,460</b>	<b>1,643,736</b>	<b>6,648,914</b>
Adjustments for non-cash items:					
Deferred revenue		(548,000)	(2,232,552)	(548,000)	(2,216,660)
Depreciation for:					
- property, plant and equipment		1,431,678	5,832,656	1,276,495	5,163,422
- investment properties		505,968	2,061,314	465,773	1,884,052
Property, plant and equipment written off		-	-	2,138	8,648
Finance costs		1,479,196	6,026,245	1,453,065	5,877,648
Interest income		(1,885)	(7,680)	(378)	(1,529)
Share of results of associates		(270,944)	(1,103,826)	(663,943)	(2,685,658)
<b>Operating profit before changes in working capital</b>		<b>5,691,855</b>	<b>23,188,617</b>	<b>3,628,886</b>	<b>14,678,837</b>
<b>Changes in working capital</b>					
Inventories		772,433	3,146,892	(1,400,794)	(5,666,212)
Trade and other receivables		(127,623)	(519,936)	3,678,217	14,878,388
Trade and other payables		11,938,659	48,638,097	858,001	3,470,610
Contract liabilities		(175,212)	(713,814)	-	-
<b>Net cash generated from operations</b>		<b>18,100,112</b>	<b>73,739,856</b>	<b>6,764,310</b>	<b>27,361,623</b>
Tax paid		(1,168,717)	(4,761,353)	(2,034,548)	(8,229,747)
<b>Net cash generated from operating activities</b>		<b>16,931,395</b>	<b>68,978,503</b>	<b>4,729,762</b>	<b>19,131,876</b>

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

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

	Note	Group		Group	
		2021 USD	KHR'000	2020 USD	KHR'000
<b>Cash flows from investing activities</b>					
Additions of:					
- property, plant and equipment		(7,259,640)	(29,575,773)	(3,030,313)	(12,257,616)
- investment properties		-	-	(1,618,684)	(6,547,577)
- investment in associates		(1,593,961)	(6,493,797)	-	-
Dividend received from associates		43,769	178,315	-	-
Acquisition of subsidiaries, net of cash acquired		(1,109,980)	(4,522,058)	-	-
Acquisition through business combination of Sahas Advisory & Consulting Co., Ltd.		(25,987)	(105,871)	-	-
Interest received		1,885	7,680	378	1,529
(Advances to)/Repayments from:					
- associates		909,416	3,704,959	457,083	1,848,901
- related parties		(543,749)	(2,215,234)	783,859	3,170,719
- directors		38,906	158,505	(777,088)	(3,143,321)
- shareholders		99	403	187,654	759,061
<b>Net cash used in investing activities</b>		<b>(9,539,242)</b>	<b>(38,862,871)</b>	<b>(3,997,111)</b>	<b>(16,168,304)</b>
<b>Cash flows from financing activities</b>					
Interest paid		(1,479,196)	(6,026,245)	(1,453,065)	(5,877,648)
Repayment of loans and borrowings		(5,789,647)	(23,587,021)	(6,009,242)	(24,307,384)
Drawdown of loans and borrowings		3,970,073	16,174,077	7,010,880	28,359,010
<b>Net cash used in financing activities</b>		<b>(3,298,770)</b>	<b>(13,439,189)</b>	<b>(451,427)</b>	<b>(1,826,022)</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,093,383</b>	<b>16,676,443</b>	<b>281,224</b>	<b>1,137,550</b>
Cash and cash equivalents at 1 January		1,622,634	6,610,611	1,341,410	5,426,005
<b>Cash and cash equivalents at 31 December</b>	<b>11</b>	<b>5,716,017</b>	<b>23,287,054</b>	<b>1,622,634</b>	<b>6,563,555</b>

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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

	Note	Company		Company	
		2021 USD	KHR'000	2020 USD	KHR'000
<b>Cash flows from operating activities</b>					
<b>Profit before tax</b>		<b>516,659</b>	<b>2,104,868</b>	<b>696,899</b>	<b>2,818,956</b>
Adjustments for non-cash items:					
Deferred revenue		(548,000)	(2,232,552)	(548,000)	(2,216,660)
Depreciation for:					
- property,					
plant and equipment		1,101,993	4,489,519	999,661	4,043,629
- investment properties		381,113	1,552,654	395,030	1,597,896
Finance costs		1,170,642	4,769,196	1,348,830	5,456,017
Interest income		(187)	(762)	(360)	(1,456)
Share of results of associates		(270,944)	(1,103,826)	(878,866)	(3,555,013)
<b>Operating profit before changes in working capital</b>		<b>2,351,276</b>	<b>9,579,097</b>	<b>2,013,194</b>	<b>8,143,369</b>
<b>Changes in working capital</b>					
Inventories		1,081,796	4,407,237	1,889,307	7,642,247
Trade and other receivables		9,382,714	38,225,177	5,176,206	20,937,753
Trade and other payables		166,126	676,797	(1,603,540)	(6,486,319)
<b>Cash generated from operations</b>		<b>12,981,912</b>	<b>52,888,308</b>	<b>7,475,167</b>	<b>30,237,050</b>
Tax paid		(151,397)	(616,791)	(1,524,699)	(6,167,407)
<b>Net cash generated from operating activities</b>		<b>12,830,515</b>	<b>52,271,517</b>	<b>5,950,468</b>	<b>24,069,643</b>



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**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2021 (CONTINUED)**

	Note	Company			
		2021 USD	KHR'000	2020 USD	KHR'000
<b>Cash flows from investing activities</b>					
Additions of:					
- investment in associates		(469,411)	(1,912,380)	-	-
- investment in subsidiaries		(17,260,589)	(70,319,640)	(6,195,000)	(25,058,775)
- property, plant and equipment		(2,499,844)	(10,184,364)	(1,003,857)	(4,060,610)
- investment properties		-	-	(1,939,878)	(7,846,807)
Dividend received from associates		43,769	178,315	-	-
Interest received		187	762	360	1,456
(Advances to)/Repayments from:					
- associates		853,250	3,476,141	518,173	2,096,011
- subsidiaries		14,385,300	58,605,712	2,563,518	10,369,431
- related parties		(1,067,705)	(4,349,831)	786,179	3,180,094
- directors		24,176	98,495	(777,088)	(3,143,313)
- shareholders		99	403	187,654	759,060
<b>Net cash used in investing activities</b>		<b>(5,990,768)</b>	<b>(24,406,387)</b>	<b>(5,859,939)</b>	<b>(23,703,453)</b>
<b>Cash flows from financing activities</b>					
Interest paid		(1,170,642)	(4,769,196)	(1,348,830)	(5,456,017)
Repayment of loans and borrowings		(5,367,175)	(21,865,871)	(4,818,334)	(19,490,161)
Drawdown of loans and borrowings		102,300	416,770	5,510,880	22,291,508
<b>Net cash used in financing activities</b>		<b>(6,435,517)</b>	<b>(26,218,297)</b>	<b>(656,284)</b>	<b>(2,654,670)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>404,230</b>	<b>1,646,833</b>	<b>(565,755)</b>	<b>(2,288,480)</b>
Cash and cash equivalents at 1 January		278,243	1,133,562	843,998	3,413,972
<b>Cash and cash equivalents at 31 December</b>	<b>11</b>	<b>682,473</b>	<b>2,780,395</b>	<b>278,243</b>	<b>1,125,492</b>

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

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## **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 2022.

### **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 Amendments/Improvements to published standards that are effective**

The Group and the Company has applied the following amendments/improvements for the first time for the financial year beginning on 1 January 2021:

##### Amendments/Improvements to CIFRSs

CIFRS 4	Insurance Contracts
CIFRS 7	Financial Instruments: Disclosures
CIFRS 9	Financial Instruments
CIFRS 16	Leases*
CIAS 39	Financial Instruments: Recognition and Measurement

\* Early adopted the amendments to CIFRS 16 Leases

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

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**NOTES TO THE FINANCIAL STATEMENTS**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2.3 Standards and amendments/improvements that have been issued but not yet effective**

The Group and the Company has not adopted the following new standards and amendments/improvements that have been issued but not yet effective:

<u>New Standard</u>	<b>Effective for financial periods beginning on or after</b>
CIFRS 17 Insurance Contracts	1 January 2023
 <u>Amendments/Improvements</u>	
CIFRS 1 First-time Adoption of Cambodian International Financial Reporting Standards	1 January 2022 <sup>^</sup> / 1 January 2023 <sup>#</sup>
CIFRS 3 Business Combinations	1 January 2022/ 1 January 2023 <sup>#</sup>
CIFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 <sup>#</sup>
CIFRS 7 Financial Instruments: Disclosures	1 January 2023 <sup>#</sup>
CIFRS 9 Financial Instruments	1 January 2022 <sup>^</sup> / 1 January 2023 <sup>#</sup>
CIFRS 10 Consolidated Financial Statements	Deferred
CIFRS 15 Revenue from Contracts with Customers	1 January 2023 <sup>#</sup>
CIFRS 16 Leases	1 January 2022 <sup>^</sup>
CIFRS 17 Insurance Contracts	1 January 2023
CIAS 1 Presentation of Financial Instruments	1 January 2022/ 1 January 2023 <sup>#</sup>
CIAS 7 Statement of Cash Flows	1 January 2023 <sup>#</sup>
CIAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
CIAS 12 Income Taxes	1 January 2023
CIAS 16 Property, Plant and Equipment	1 January 2022/ 1 January 2023 <sup>#</sup>
CIAS 19 Employee Benefits	1 January 2023 <sup>#</sup>
CIAS 28 Investments in Associates and Joint Ventures	Deferred/ 1 January 2023 <sup>#</sup>
CIAS 32 Financial Instruments: Presentation	1 January 2023 <sup>#</sup>
CIAS 36 Impairment of Assets	1 January 2023 <sup>#</sup>
CIAS 37 Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023 <sup>#</sup>
CIAS 38 Intangible Assets	1 January 2023 <sup>#</sup>
CIAS 40 Investment Property	1 January 2023 <sup>#</sup>
CIAS 41 Agriculture	1 January 2022 <sup>^</sup>

<sup>^</sup> *The Annual Improvements to CIFRS Standards 2018-2020*

<sup>#</sup> *Amendments as to the consequence of effective CIFRS 17 Insurance Contracts*

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## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The Group and the Company plans to adopt the above applicable standards and amendments/improvements when they become effective. A brief discussion on the above significant standards and amendments/improvements that may be applicable to the Group and the Company are summarised below.

##### ***Annual Improvements to CIFRS Standards 2018-2020***

Annual Improvements to CIFRS Standards 2018-2020 covers amendments to:

- CIFRS 1 *First-time Adoption of Cambodian International Financial Reporting Standards* – simplifies the application of CIFRS 1 by a subsidiary that becomes a first-time adopter after its parent in the relation to the measurement of cumulative translation differences.
- CIFRS 9 *Financial Instruments* – clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying CIFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- CIAS 41 *Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in CIAS 41 with those in other CIFRS Standards.

##### ***Amendments to CIFRS 3 Business Combinations***

The amendments update CIFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version.

##### ***Amendments to CIFRS 10 Consolidated Financial Statements and CIAS 28 Investments in Associates and Joint Ventures***

These amendments address an acknowledged inconsistency between the requirements in CIFRS 10 and those in CIAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in CIFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

##### ***Amendments to CIAS 1 Presentation of Financial Statements***

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

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## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

##### ***Amendments to CIAS 1 Presentation of Financial Statements (continued)***

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include example of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, CIFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the CIFRS 2 Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardise (or boilerplate) information and duplication of requirements of CIFRSs in the accounting policy information disclosures.

##### ***Amendments to CIAS 8 Accounting Policies, Changes in Accounting Estimates and Errors***

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

##### ***Amendments to CIAS 12 Income Taxes***

The amendments specify how an entity should account for deferred tax on transactions such as leases and decommissioning obligation.

In specified circumstances, CIAS 12 exempts and entity from recognising deferred tax when it recognises assets or liabilities for the first time. There had been some uncertainties about whether the exemption from recognising deferred tax applied to transactions such as leases and decommissioning obligations – transactions for which an entity recognises both an assets and liability. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

##### ***Amendments to CIAS 16 Property, Plant and Equipment***

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

##### ***Amendments to CIAS 37 Provisions, Contingent Liabilities and Contingent Assets***

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

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## **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 2021 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 KHR4,074 (2020: USD1 to KHR4,045).

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.

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## **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 acquiree; 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.

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## 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 acquiree 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.



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## **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.

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## **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.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 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.

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## 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.

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## 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.

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## 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)

###### Financial liabilities at amortised cost

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.

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**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.

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## 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.

	<b>Years</b>
Building and infrastructure	20
Machinery	10
Motor vehicles, equipment and computers	3 - 5



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

**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.

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## **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.

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

### **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.

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

**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.

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**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.

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## **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.

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**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.

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**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.



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## **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.

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**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.

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## **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.

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## **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.

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## **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.

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

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**

**(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 and assets**

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.

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

**5. PROPERTY, PLANT AND EQUIPMENT**

Group	Freehold land USD	Building and infrastructure USD	Machinery USD	Motor vehicles, equipment and computers USD	*Construction in progress USD	Total USD
<b>At 31 December 2021</b>						
Cost	721,224	23,003,078	2,236,438	873,609	2,471,098	29,305,447
Accumulated depreciation	-	(9,323,864)	(1,730,550)	(599,037)	-	(11,653,451)
Net carrying amount	721,224	13,679,214	505,888	274,572	2,471,098	17,651,996
Net carrying amount (KHR'000)	2,938,267	55,729,118	2,060,988	1,118,606	10,067,252	71,914,231
<b>Movement in net carrying amount</b>						
At 1 January 2021	721,224	11,828,838	324,052	176,487	534,389	13,584,990
Acquisition through business combination (Note 7(c))	-	-	-	25,987	-	25,987
Additions	-	397,693	316,000	184,939	6,361,008	7,259,640
Transfer within property, plant and equipment	-	2,637,356	-	-	(2,637,356)	-
Transfer to investment properties	-	-	-	-	(945,000)	(945,000)
Transfer to inventories	-	-	-	-	(841,943)	(841,943)
Depreciation charge	-	(1,184,673)	(134,164)	(112,841)	-	(1,431,678)
At 31 December 2021	721,224	13,679,214	505,888	274,572	2,471,098	17,651,996

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

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

Group	Freehold land USD	Building and infrastructure USD	Machinery USD	Motor vehicles, equipment and computers USD	*Construction in progress USD	Total USD
<b>At 31 December 2020</b>						
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
<b>Movement in net carrying amount</b>						
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



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

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

Company	Freehold land USD	Building and infrastructure USD	Machinery USD	Motor vehicles, equipment and computers USD	*Construction in progress USD	Total USD
<b>At 31 December 2021</b>						
Cost	721,224	22,792,896	1,562,046	426,089	44,029	25,546,284
Accumulated depreciation	-	(9,015,783)	(1,433,394)	(374,974)	-	(10,824,151)
Net carrying amount	721,224	13,777,113	128,652	51,115	44,029	14,722,133
Net carrying amount (KHR'000)	2,938,267	56,127,958	524,128	208,243	179,374	59,977,970
<b>Movement in net carrying amount</b>						
At 1 January 2021	721,224	12,035,447	146,928	59,855	772,162	13,735,616
Additions	-	389,274	27,834	17,164	2,065,572	2,499,844
Transfer within property, plant and equipment	-	2,382,371	-	-	(2,382,371)	-
Transfer to inventories	-	-	-	-	(411,334)	(411,334)
Depreciation charge	-	(1,029,979)	(46,110)	(25,904)	-	(1,101,993)
At 31 December 2021	721,224	13,777,113	128,652	51,115	44,029	14,722,133

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

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

Company	Freehold land USD	Building and infrastructure USD	Machinery USD	Motor vehicles, equipment and computers USD	*Construction in progress USD	Total USD
<b>At 31 December 2020</b>						
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
<b>Movement in net carrying amount</b>						
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

\* 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.

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

**6. INVESTMENT PROPERTIES**

<b>Group</b>	<b>Freehold land USD</b>	<b>Building USD</b>	<b>Total USD</b>
<b>At 31 December 2021</b>			
Cost	2,515,656	10,694,264	13,209,920
Accumulated depreciation	-	(2,772,317)	(2,772,317)
Net carrying amount	<u>2,515,656</u>	<u>7,921,947</u>	<u>10,437,603</u>
Net carrying amount (KHR'000)	<u>10,248,782</u>	<u>32,274,012</u>	<u>42,522,794</u>
<b>Movement in net carrying amount</b>			
At 1 January 2021	2,515,656	7,482,915	9,998,571
Transfer from property, plant and equipment	-	945,000	945,000
Depreciation charge	-	(505,968)	(505,968)
At 31 December 2021	<u>2,515,656</u>	<u>7,921,947</u>	<u>10,437,603</u>
<b>At 31 December 2020</b>			
Cost	2,515,656	9,749,264	12,264,920
Accumulated depreciation	-	(2,266,349)	(2,266,349)
Net carrying amount	<u>2,515,656</u>	<u>7,482,915</u>	<u>9,998,571</u>
Net carrying amount (KHR'000)	<u>10,175,828</u>	<u>30,268,391</u>	<u>40,444,219</u>
<b>Movement in net carrying amount</b>			
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	<u>2,515,656</u>	<u>7,482,915</u>	<u>9,998,571</u>

\* Included in the additions of investment properties of the Group were assets transferred from property plant and equipment amounted to USD945,000 (2020: USD5,451,167) as disclosed in Note 5 to the financial statements.

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

**6. INVESTMENT PROPERTIES (CONTINUED)**

<b>Company</b>	<b>Freehold land USD</b>	<b>Building USD</b>	<b>Total USD</b>
<b>At 31 December 2021</b>			
Cost	2,515,656	7,792,291	10,307,947
Accumulated depreciation	-	(2,576,719)	(2,576,719)
Net carrying amount	<u>2,515,656</u>	<u>5,215,572</u>	<u>7,731,228</u>
Net carrying amount (KHR'000)	<u>10,248,783</u>	<u>21,248,240</u>	<u>31,497,023</u>
<b>Movement in net carrying amount</b>			
At 1 January 2021	2,515,656	5,596,685	8,112,341
Depreciation charge	-	(381,113)	(381,113)
At 31 December 2021	<u>2,515,656</u>	<u>5,215,572</u>	<u>7,731,228</u>
<b>At 31 December 2020</b>			
Cost	2,515,656	7,792,291	10,307,947
Accumulated depreciation	-	(2,195,606)	(2,195,606)
Net carrying amount	<u>2,515,656</u>	<u>5,596,685</u>	<u>8,112,341</u>
Net carrying amount (KHR'000)	<u>10,175,828</u>	<u>22,638,591</u>	<u>32,814,419</u>
<b>Movement in net carrying amount</b>			
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	<u>2,515,656</u>	<u>5,596,685</u>	<u>8,112,341</u>

\* Included in the additions of investment properties of the Company were assets transferred from property plant and equipment amounted to Nil (2020: USD3,173,000) as disclosed in Note 5 to the financial statements.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6. INVESTMENT PROPERTIES (CONTINUED)

The fair values of investment properties of the Group and of the Company as at 31 December 2021 were estimated at USD17,323,000 or KHR70,573,902,000 (2020: USD16,058,508 or KHR64,956,665,000) and USD12,224,000 or KHR49,800,576,000 (2020: USD14,101,535 or KHR57,040,709,000) 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 lease out their 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 2021, investment properties of the Group and the Company with a carrying amount of USD10,437,603 or KHR42,552,794,000 (2020: USD229,694 or KHR929,112,000) and USD7,731,228 or KHR31,497,023,000 (2020: USD229,694 or KHR929,112,000) respectively 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

Company	2021		2020	
	USD	KHR'000	USD	KHR'000
<b>At cost</b>				
Unquoted shares	39,983,104	162,891,166	21,800,000	88,181,000

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

**7. INVESTMENT IN SUBSIDIARIES (CONTINUED)**

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

Name of subsidiaries	Note	Country of incorporation	Effective equity interest		Principal activities
			2021 %	2020 %	
Sahas Security Co., Ltd.		Cambodia	100	100	Security services
Sahas Properties Co., Ltd.		Cambodia	100	100	Real estate activity
Poi Pet PPSEZ Co., Ltd.	((b)(i))	Cambodia	100	100	Establish, develop and operate industrial zone
Phnom Penh SEZ II Co., Ltd.	((b)(ii))	Cambodia	100	100	Establish, develop and operate industrial zone
Sahas E&C Co., Ltd.	((c))	Cambodia	100	60	Construction services
Sahas Advisory & Consulting Co., Ltd.*	((d))	Cambodia	46	N/A	Advisory and consultant services

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

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

- (i) increase its investment in a subsidiary, Poi Pet PPSEZ Co., Ltd. by USD7,000,000, representing additional 1,400 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 the end of the financial period.
- (ii) increase its investment in a subsidiary, Phnom Penh SEZ II Co., Ltd. by USD10,000,000, representing additional 1,000 units of registered and paid up share capital of the subsidiary with par value of USD10,000 or KHR40,000,000 per share. The effective equity interest of the Company remained to be 100% as at end of the financial period.

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

**7. INVESTMENT IN SUBSIDIARIES (CONTINUED)**

**(c) Acquisition of non-controlling interests**

Sahas E&C Co., Ltd.

On 11 May 2021, the Company acquired an additional 40% interest in Sahas E&C Co., Ltd. from L.C.H Construction Co., Ltd., a non-controlling interest, increasing the Company's ownership from 60% to 100%. The carrying amount of Sahas E&C Co., Ltd.'s net assets in the Company's consolidated financial statements on the date of the acquisition was USD2,568,836.

	<b>USD</b>
Carrying amount of	
non-controlling interests acquired (USD2,568,836 x 40%)	1,027,535
Consideration paid to non-controlling interest	1,172,515
<b>A decrease in equity attributable to owners of the Company</b>	<b>(144,980)</b>

The decrease in equity attributable to owners of the Company comprised a decrease in retained earnings of USD144,980 or KHR590,650,000.

**(d) Acquisition of subsidiary**

Sahas Advisory & Consulting Co., Ltd.

On 1 October 2021, the Company acquired 7% of the shares and voting interest in Sahas Advisory & Consulting Co., Ltd. ("Sahas A&C") from its existing controlling shareholder. As a result, the Company's equity interest in Sahas A&C increased from 39% to 46% whilst its existing controlling shareholder's interest in Sahas A&C decreased from 51% to 44%, granting the Company controls of Sahas A&C.

Included in the identifiable assets and liabilities acquired at the date of acquisition of Sahas A&C are an organised workforce. The Company has determined that together the acquired workforce contribute to the ability to reduce cost through economic of scale. The Company has concluded that the acquired set is a business.

For the three months ended 31 December 2021, Sahas A&C contributed revenue of USD16,015 or KHR65,247,000 and loss of USD1,996 or KHR8,132,000 to the Group's results.

The acquisition date fair value of total consideration transferred was USD10,589 or KHR50,192,000. There is no acquisition-related cost incurred by the Group.

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	<b>Note</b>	<b>USD</b>
Property, plant and equipment	5	20,984
Trade and other receivables	10	14,643
Cash and cash equivalents	11	48,525
Trade and other payables	16	(7,377)
<b>Total identifiable net assets acquired</b>		<b>76,775</b>

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

**7. INVESTMENT IN SUBSIDIARIES (CONTINUED)**

**(e) 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:

<b>SAHAS E&amp;C CO., LTD.</b>	<b>2020</b>	
	<b>40%</b>	
<b>NCI percentage</b>	<b>USD</b>	<b>KHR'000</b>
<b>Summarised statement of financial position</b>		
Total assets	3,128,225	12,653,666
Total liabilities	(422,062)	(1,707,241)
<b>Net assets</b>	<b>2,706,163</b>	<b>10,946,425</b>
<b>Net assets attributable to NCI</b>	<b>1,082,465</b>	<b>4,378,570</b>
<b>Summarised statement of profit or loss and comprehensive income</b>		
Revenue	5,497,484	22,237,323
Profit for the financial year	627,221	2,537,109
Other comprehensive income	-	-
<b>Total comprehensive income for the financial year</b>	<b>627,221</b>	<b>2,537,109</b>
<b>Profit attributable to NCI</b>	<b>250,889</b>	<b>1,014,848</b>
<b>Total comprehensive income attributable to NCI</b>	<b>250,889</b>	<b>1,014,848</b>
<b>Summarised statement of cash flows</b>		
Net cash generated from/(used in)		
- Operating activities	(217,829)	(881,118)
- Investing activities	(46,677)	(188,808)
- Financing activities	12,031	48,665
<b>Net decrease in cash and cash equivalents</b>	<b>(252,475)</b>	<b>(1,021,261)</b>



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

**7. INVESTMENT IN SUBSIDIARIES (CONTINUED)**

**(e) Summarised financial information of material non-controlling interests (continued)**

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:

<b>SAHAS ADVISORY &amp; CONSULTING CO., LTD.</b>	<b>2021</b>	
	<b>USD</b>	<b>KHR'000</b>
<b>NCI percentage</b>	<b>46%</b>	
<b>Summarised statement of financial position</b>		
Total assets	29,939	121,971
Total liabilities	(4,783)	(19,485)
<b>Net assets</b>	<b>25,156</b>	<b>102,486</b>
<b>Net assets attributable to NCI</b>	<b>10,062</b>	<b>40,993</b>
<b>Summarised statement of profit or loss and comprehensive income</b>		
Revenue	114,862	467,947
Profit for the financial year	20,156	82,116
Other comprehensive income	-	-
<b>Total comprehensive income for the financial year</b>	<b>20,156</b>	<b>82,116</b>
<b>Profit attributable to NCI</b>	<b>9,272</b>	<b>37,774</b>
<b>Total comprehensive income attributable to NCI</b>	<b>9,272</b>	<b>37,774</b>
<b>Summarised statement of cash flows</b>		
Net cash generated from/(used in)		
- Operating activities	14,603	59,491
- Investing activities	6,929	28,229
- Financing activities	(127,881)	(520,986)
<b>Net decrease in cash and cash equivalents</b>	<b>(106,349)</b>	<b>(433,266)</b>

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

**8. INVESTMENT IN ASSOCIATES**

Group	2021		2020	
	USD	KHR'000	USD	KHR'000
<b>At Cost</b>				
Unquoted shares	8,591,361	35,001,205	6,997,400	28,304,483
Shares of post-acquisition reserves	5,541,308	22,575,289	5,314,133	21,495,668
Less: Allowance for impairment loss	(1,435,407)	(5,847,848)	(1,435,407)	(5,806,221)
	<u>12,697,262</u>	<u>51,728,646</u>	<u>10,876,126</u>	<u>43,993,930</u>
<b>Company</b>				
<b>At Cost</b>				
Unquoted shares	7,466,811	30,419,788	6,997,400	28,304,483
Shares of post-acquisition reserves	5,541,308	22,575,289	5,314,133	21,495,668
Less: Allowance for impairment loss	(1,435,407)	(5,847,848)	(1,435,407)	(5,806,221)
	<u>11,572,712</u>	<u>47,147,229</u>	<u>10,876,126</u>	<u>43,993,930</u>

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

Name of associates	Country of incorporation	Effective equity interest		Principal activities
		2021	2020	
<b><u>Associates of Phnom Penh SEZ PLC</u></b>		%	%	
Colben Energy (Cambodia) PPSEZ Limited. *#	Cambodia	51	51	Supply of electricity
Bok Seng PPSEZ Dry Port Co., Ltd.	Cambodia	40	40	Dry port
Sahas Advisory & Consultant Co., Ltd. *	Cambodia	N/A	39	Advisory and consultant services
Gomi Recycle (Phnom Penh) Co., Ltd. *	Cambodia	49	24.5	Waste recycle factory
<b><u>Associate of Poi Pet PPSEZ Co., Ltd</u></b>				
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 2021 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 2021 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 2021.

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

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

(b) During the financial year, the Group and the Company have:

(i) The Group:

Increase its investment in an associate, B. Grimm Power (Poipet) Co., Ltd. by USD1,124,550, representing additional 1,124,550 units of registered and paid up share capital of the associate with par value of USD1 or KHR4,000 per share. The effective equity interest of the Company remained to be 45% as at end of the financial period.

(ii) The Company:

- Increase its investment in an associate, Gomi Recycle (Phnom Penh) Co., Ltd. by USD480,000, representing additional 480 units of registered and paid up share capital of the associate with par value of USD1,000 or KHR4,000,000 per share. The effective equity interest of the Company increased to be 49% as at end of the financial period.
- On 1 October 2021, increase its investment in an associate, Sahas Advisory & Consulting Co., Ltd. ("Sahas A&C") whilst its existing controlling shareholder's interest in Sahas A&C decreased from 51% to 44%. Sahas A&C become a subsidiary from that date.

(c) 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
<b>Group</b>				
<b>31.12.2021</b>				
<b>Summarised statement of financial position</b>				
Total assets	37,553,432	7,678,043	1,283,123	46,514,598
Total liabilities	(22,799,969)	(552,906)	(1,052)	(23,353,927)
<b>Net assets</b>	<b>14,753,463</b>	<b>7,125,137</b>	<b>1,282,071</b>	<b>23,160,671</b>
<b>Summarised statement of profit or loss and comprehensive income</b>				
Revenue	12,810,874	2,799,871	2,400	15,613,145
Profit/(loss), representing total comprehensive income/(loss) for the financial year	121,716	599,627	(78,714)	642,629
<b>Share of net assets/Carrying amount in the statement of financial position</b>	<b>7,962,955</b>	<b>4,384,023</b>	<b>661,140</b>	<b>13,008,118</b>
<b>Share of results of associates in the statement of profit or loss and comprehensive income</b>	<b>62,075</b>	<b>239,851</b>	<b>(30,982)</b>	<b>270,944</b>

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

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

**(c) 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: (continued)

	<b>Colben Energy (Cambodia) PPSEZ Limited USD</b>	<b>Bok Seng PPSEZ Dry Port Co., Ltd. USD</b>	<b>Other individually immaterial associates USD</b>	<b>Total USD</b>
<b>Group</b>				
<b>31.12.2020</b>				
<b>Summarised statement of financial position</b>				
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)
<b>Net assets</b>	<u>14,631,747</u>	<u>6,574,824</u>	<u>1,013,666</u>	<u>22,220,237</u>
<b>Summarised statement of profit or loss and comprehensive income</b>				
Revenue	15,474,859	3,428,249	103,797	19,006,904
Profit/(loss), representing total comprehensive income/(loss) for the financial year	<u>1,041,981</u>	<u>346,732</u>	<u>(40,936)</u>	<u>1,347,777</u>
<b>Share of net assets/Carrying amount in the statement of financial position</b>	<u>7,900,880</u>	<u>2,708,765</u>	<u>266,481</u>	<u>10,876,126</u>
<b>Share of results of associates in the statement of profit or loss and comprehensive income</b>	<u>531,410</u>	<u>138,693</u>	<u>(6,158)</u>	<u>663,945</u>

The Group has not recognised its shares of losses of B.Grimm Power (Poipet) Co., Ltd. amounting to USD72,402 or KHR294,965,700 (2020: USD60,496 or KHR244,706,000) 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.

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

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

**(d) 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.

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

**9. INVENTORIES**

Group	2021		2020	
	USD	KHR'000	USD	KHR'000
<b>At cost</b>				
Freehold lands and development cost	36,569,137	148,982,664	36,499,627	147,640,991
<b>Company</b>				
<b>At cost</b>				
Freehold lands and development cost	12,107,985	49,327,931	12,778,447	51,688,818

The cost of inventories of the Group and of the Company recognised as an expense in cost of sales during the financial year was USD13,961,634 or KHR56,879,697,000 (2020: USD4,072,627 or KHR16,473,776,000) and USD3,627,149 or KHR14,777,005,000 (2020: USD1,100,165 or KHR4,450,167,000) respectively.

Included in the net carrying amount of inventories of the Group and Company were assets transferred from property, plant and equipment amounted to USD841,943 or KHR3,430,075,000 (2020: USD495,851 or KHR2,005,717,000) and USD411,334 or KHR1,675,774,000 (2020: USD207,345 or KHR838,710,000) respectively, as disclosed in Note 5 to the financial statements.

As at 31 December 2021, inventories of the Group and the Company with a carrying amount of USD15,754,308 or KHR64,183,050,000 (2020: USD9,122,962 or KHR36,902,381,000) respectively 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**

Group	2021		2020	
	USD	KHR'000	USD	KHR'000
<b>Trade receivables from contract with customers</b>				
Third parties	7,792,977	31,748,588	2,692,597	10,891,555
Shareholders	1,007	4,103	-	-
Related parties	789,333	3,215,743	792,116	3,204,109
	8,583,317	34,968,434	3,484,713	14,095,664
<b>Other receivables</b>				
Other receivables	199,361	812,197	204,002	825,188
Input value added taxes	1,458,388	5,941,473	1,276,161	5,162,071
Withholding tax credit	3,521,195	14,345,348	3,345,231	13,531,459
Associates	1,195,325	4,869,754	2,104,741	8,513,677
Related parties	589,102	2,400,002	621,553	2,514,182
Shareholders	16,621	67,714	16,720	67,632
Deposits	107,116	436,391	64,852	262,326
Prepayments	5,880,535	23,957,300	11,247,330	45,495,451
	12,967,643	52,830,179	18,880,590	76,371,986
<b>Total trade and other receivables</b>	<b>21,550,960</b>	<b>87,798,613</b>	<b>22,365,303</b>	<b>90,467,650</b>

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

**10. TRADE AND OTHER RECEIVABLES (CONTINUED)**

Company	2021		2020	
	USD	KHR'000	USD	KHR'000
<b>Trade receivables from contract with customers</b>				
Third parties	996,000	4,057,704	-	-
Related parties	771,217	3,141,938	771,217	3,119,573
	<u>1,767,217</u>	<u>7,199,642</u>	<u>771,217</u>	<u>3,119,573</u>
<b>Other receivables</b>				
Other receivables	180,226	734,241	173,792	702,989
Input value added taxes	27,896	113,648	216,164	874,383
Withholding tax credit	3,475,428	14,158,892	3,300,231	13,349,434
Subsidiaries	1,166,658	4,752,965	9,053,582	36,621,739
Associates	1,195,325	4,869,754	1,597,163	6,460,524
Related parties	389,102	1,585,202	421,553	1,705,182
Shareholders	16,621	67,714	16,720	67,632
Deposits	89,416	364,281	47,978	194,071
Prepayments	230,576	939,367	10,644,091	43,055,349
	<u>6,771,248</u>	<u>27,586,064</u>	<u>25,471,274</u>	<u>103,031,303</u>
<b>Total trade and other receivables</b>	<b>8,538,465</b>	<b>34,785,706</b>	<b>26,242,491</b>	<b>106,150,876</b>

**(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 (2020: 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 by 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%.

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

**10. TRADE AND OTHER RECEIVABLES (CONTINUED)**

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

The amounts due from associates, related parties, and shareholders represent advances and payments made on behalf by the Group and by 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, 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 USD5,632,801 or KHR22,948,031,800 (2020: USD10,215,805 or KHR 41,322,931,000) and Nil (2020: USD10,215,805 or KHR 41,322,931,000) respectively 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 except for tax recoverable is denominated in KHR.**

**11. CASH AND CASH EQUIVALENTS**

	2021		2020	
	USD	KHR'000	USD	KHR'000
<b>Group</b>				
Cash in hand	8,820	35,933	9,934	40,183
Deposits held at call with licensed banks	5,707,197	23,251,121	1,612,700	6,523,372
	<u>5,716,017</u>	<u>23,287,054</u>	<u>1,622,634</u>	<u>6,563,555</u>
<b>Company</b>				
Cash in hand	1,743	7,101	5,659	22,891
Deposits held at call with licensed banks	680,730	2,773,294	272,584	1,102,601
	<u>682,473</u>	<u>2,780,395</u>	<u>278,243</u>	<u>1,125,492</u>

Cash and bank balances are mainly denominated in USD and KHR.



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

**12. SHARE CAPITAL**

	2021		2020	
	Number of share of USD0.50 each	Equivalent to USD	Number of share of USD0.50 each	Equivalent to USD
Ordinary shares:				
<b>Registered:</b>				
At 1 January / 31 December	71,875,000	35,937,500	71,875,000	35,937,500
<b>Fully paid:</b>				
At 1 January / 31 December	71,875,000	35,937,500	71,875,000	35,937,500
KHR'000		146,409,375		145,367,188

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 attributable the issuance.

**14. LOANS AND BORROWINGS**

Group	2021		2020	
	USD	KHR'000	USD	KHR'000
<b>Secured</b>				
<b>Non-current:</b>				
Term loan VII	8,328,430	33,930,024	9,035,631	36,549,127
Term loan VIII	-	-	717,248	2,901,268
Term loan IX	3,961,880	16,140,699	2,860,762	11,571,782
Term loan XI	1,191,404	4,853,780	1,678,063	6,787,765
	13,481,714	54,924,503	14,291,704	57,809,942
<b>Current:</b>				
Term loan VII	1,681,487	6,850,378	1,681,487	6,801,615
Term loan VIII	-	-	1,658,334	6,707,961
Term loan IX	1,202,653	4,899,608	589,789	2,385,697
Term loan XI	487,387	1,985,615	451,501	1,826,321
	3,371,527	13,735,601	4,381,111	17,721,594
<b>Total loans and borrowings</b>	<b>16,853,241</b>	<b>68,660,104</b>	<b>18,672,815</b>	<b>75,531,536</b>

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

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

Company	2021		2020	
	USD	KHR'000	USD	KHR'000
<b>Secured</b>				
<b>Non-current:</b>				
Term loan VII	6,237,401	25,411,172	8,175,521	33,069,982
Term loan VIII	-	-	717,248	2,901,268
Term loan IX	1,998,800	8,143,111	2,499,200	10,109,263
Term loan XI	1,191,404	4,853,780	1,678,063	6,787,765
	9,427,605	38,408,063	13,070,032	52,868,278
<b>Current:</b>				
Term loan VII	1,551,120	6,319,262	1,551,120	6,274,280
Term loan VIII		-	1,658,334	6,707,961
Term loan IX	500,400	2,038,630	500,400	2,024,119
Term loan XI	487,387	1,985,615	451,501	1,826,321
	2,538,907	10,343,507	4,161,355	16,832,681
<b>Total loans and borrowings</b>	<b>11,966,512</b>	<b>48,751,570</b>	<b>17,231,387</b>	<b>69,700,959</b>

CIAS 7 requires 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:

Group	2021		2020	
	USD	KHR'000	USD	KHR'000
<b>Term loans</b>				
At 1 January	18,672,815	76,073,048	17,671,177	71,479,910
Drawdown	3,970,073	16,174,077	7,010,880	28,359,010
Repayments	(5,789,647)	(23,587,021)	(6,009,242)	(24,307,384)
Finance costs	1,479,196	6,026,245	1,453,065	5,877,648
Interest paid	(1,479,196)	(6,026,245)	(1,453,065)	(5,877,648)
At 31 December	16,853,241	68,660,104	18,672,815	75,531,536
<b>Company</b>				
<b>Term loans</b>				
At 1 January	17,231,387	70,200,671	16,538,841	66,899,612
Drawdown	102,300	416,770	5,510,880	22,291,508
Repayments	(5,367,175)	(21,865,871)	(4,818,334)	(19,490,161)
Finance costs	1,170,642	4,769,196	1,348,830	5,456,017
Interest paid	(1,170,642)	(4,769,196)	(1,348,830)	(5,456,017)
At 31 December	11,966,512	48,751,570	17,231,387	69,700,959

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**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% $\geq$ 6.87%	5	69,090	12/09/2019	*
		2,500,000	LIBOR rate plus 3.75% $\geq$ 6.87%	5	43,013	10/09/2019	*
		2,530,488	LPCO plus 1.00% $\geq$ 6.90%	7	38,068	02/09/2020	*
		1,521,261	LIBOR plus 1.90% $\geq$ 7%	7	23,198	01/02/2021	#
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	#
		102,300	8.00%	3 months	34,100	31/05/2021	#
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	*
		250,000	6.50%	5	4,900	29/01/2021	#
		2,096,512	6.65%	34 months	92,638	27/09/2021	#
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	#

\* 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.

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

**15. CONTRACT LIABILITIES**

Contract liabilities represent as follows:

- (i) 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 (“CEZ”) pursuant to the transfer agreement with CEZ on 31 August 2012. The total consideration was amortised on a straight-line basis over the term of 25 years.
- (ii) Contract liabilities arising from construction revenue that generated from Sahas E&C Co., Ltd. are the obligation to transfer goods or services to customers for which the Group has received the consideration or have billed the customers.

Group	2021		2020	
	USD	KHR'000	USD	KHR'000
Non-current	8,220,000	33,488,280	8,768,000	35,466,560
Current	372,788	1,518,738	548,000	2,216,660
	<u>8,592,788</u>	<u>35,007,018</u>	<u>9,316,000</u>	<u>37,683,220</u>
At 1 January	9,316,000	37,953,384	9,864,000	39,899,880
<b>Less:</b>				
Revenue recognised in the financial year that was included in the opening contract liabilities	(723,212)	(2,946,366)	(548,000)	(2,216,660)
At 31 December	<u>8,592,788</u>	<u>35,007,018</u>	<u>9,316,000</u>	<u>37,683,220</u>
<b>Company</b>				
Non-current	8,220,000	33,488,280	8,768,000	35,466,560
Current	548,000	2,232,552	548,000	2,216,660
	<u>8,768,000</u>	<u>35,720,832</u>	<u>9,316,000</u>	<u>37,683,220</u>
At 1 January	9,316,000	37,953,384	9,864,000	39,899,880
<b>Less:</b>				
Revenue recognised in the financial year that was included in the opening contract liabilities	(548,000)	(2,232,552)	(548,000)	(2,216,660)
At 31 December	<u>8,768,000</u>	<u>35,720,832</u>	<u>9,316,000</u>	<u>37,683,220</u>

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

**16. TRADE AND OTHER PAYABLES**

<b>Group</b>	<b>2021</b>		<b>2020</b>	
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>	<b>KHR'000</b>
<b>Trade payables</b>				
Third parties	1,487,960	6,061,949	207,045	837,497
<b>Other payables</b>				
Other payables	6,983,079	28,449,065	2,499,832	10,111,820
Deposits	7,685,309	31,309,949	1,958,900	7,923,751
Associates	480,000	1,955,520	31,912	129,084
Related parties	1,408,498	5,738,221	1,984,698	8,028,103
Directors	40,747	166,003	1,841	7,447
Shareholders	200,510	816,878	200,510	811,063
	16,798,143	68,435,636	6,677,693	27,011,268
<b>Total trade and other payables</b>	<b>18,286,103</b>	<b>74,497,585</b>	<b>6,884,738</b>	<b>27,848,765</b>
<b>Company</b>				
<b>Trade payables</b>				
Third parties	1,316,451	5,363,221	-	-
<b>Other payables</b>				
Other payables	216,323	881,301	405,595	1,640,633
Deposits	1,444,136	5,883,410	1,482,674	5,997,416
Subsidiaries	8,136,956	33,149,959	1,638,580	6,628,055
Associates	480,000	1,955,520	28,588	115,638
Related parties	883,926	3,601,115	1,984,082	8,025,612
Directors	26,017	105,993	1,841	7,447
Shareholders	200,510	816,877	200,510	811,063
	11,387,868	46,394,175	5,741,870	23,225,864
<b>Total trade and other payables</b>	<b>12,704,319</b>	<b>51,757,396</b>	<b>5,741,870</b>	<b>23,225,864</b>

**(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. (2020: 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.

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**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 except for tax payable is denominated in KHR.

**(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**

Group	2021		2020	
	USD	KHR'000	USD	KHR'000
<b>Revenue from contract customers:</b>				
Construction revenue	1,936,294	7,888,462	2,513,199	10,165,889
Sale of land	21,189,142	86,324,564	8,380,253	33,898,123
Rendering of services	3,690,753	15,036,128	3,824,323	15,469,387
	<u>26,816,189</u>	<u>109,249,154</u>	<u>14,717,775</u>	<u>59,533,399</u>
<b>Revenue from other source:</b>				
Rental of investment properties	2,090,903	8,518,339	1,963,857	7,943,802
	<u>28,907,092</u>	<u>117,767,493</u>	<u>16,681,632</u>	<u>67,477,201</u>
<b>Timing of revenue</b>				
At a point in time	24,879,895	101,360,692	12,204,576	49,367,510
Over time	1,936,294	7,888,462	2,513,199	10,165,889
Revenue from contract customers	<u>26,816,189</u>	<u>109,249,154</u>	<u>14,717,775</u>	<u>59,533,399</u>
Revenue from other source	<u>2,090,903</u>	<u>8,518,339</u>	<u>1,963,857</u>	<u>7,943,802</u>
	<u>28,907,092</u>	<u>117,767,493</u>	<u>16,681,632</u>	<u>67,477,201</u>

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

**17. REVENUE (CONTINUED)**

Company	2021		2020	
	USD	KHR'000	USD	KHR'000
<b>Revenue from contract customers:</b>				
Sale of land	4,598,528	18,734,403	2,093,773	8,469,312
Rendering of services	2,670,431	10,879,336	2,650,895	10,722,870
	<u>7,268,959</u>	<u>29,613,739</u>	<u>4,744,668</u>	<u>19,192,182</u>
<b>Revenue from other source:</b>				
Rental of investment properties	1,725,383	7,029,210	1,875,786	7,587,554
	<u>8,994,342</u>	<u>36,642,949</u>	<u>6,620,454</u>	<u>26,779,736</u>
<b>Timing of revenue</b>				
At a point in time	7,268,959	29,613,739	4,744,668	19,192,182
Revenue from contract customers	7,268,959	29,613,739	4,744,668	19,192,182
Revenue from other source	1,725,383	7,029,210	1,875,786	7,587,554
	<u>8,994,342</u>	<u>36,642,949</u>	<u>6,620,454</u>	<u>26,779,736</u>

**(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.

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**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 Group 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**

Group	2021		2020	
	USD	KHR'000	USD	KHR'000
Other income	192,301	783,434	35,405	143,213
Interest income	1,885	7,680	378	1,529
	<b>194,186</b>	<b>791,114</b>	<b>35,783</b>	<b>144,742</b>
<b>Company</b>				
Management fee	1,200,000	4,888,800	1,200,000	4,854,000
Other income	180,965	737,251	35,110	142,020
Interest income	187	762	360	1,456
	<b>1,381,152</b>	<b>5,626,813</b>	<b>1,235,470</b>	<b>4,997,476</b>

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



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

**19. FINANCE COSTS**

	2021		2020	
	USD	KHR'000	USD	KHR'000
<b>Group</b>				
Interest expense on term loans	1,479,196	6,026,245	1,453,065	5,877,648
<b>Company</b>				
Interest expense on term loans	1,170,642	4,769,196	1,348,830	5,456,017

**20. PROFIT BEFORE TAX**

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

Group	2021		2020	
	USD	KHR'000	USD	KHR'000
Staff costs	2,913,655	11,870,230	2,370,078	9,586,966
Depreciation of property, plant and equipment	1,431,678	5,832,656	1,276,495	5,163,422
Depreciation of investment properties	505,968	2,061,314	465,773	1,884,052
Leases of low value assets	78,738	320,779	42,499	171,908
<b>Company</b>				
Staff costs	1,087,666	4,431,151	1,496,641	6,053,913
Depreciation of property, plant and equipment	1,101,993	4,489,519	999,661	4,043,629
Depreciation of investment properties	381,113	1,552,654	395,030	1,597,896

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

**21. INCOME TAX EXPENSE**

Under the Cambodian Law of Taxation, the Group and the Company have an obligation to pay income tax at a higher of, 20% based on profit before tax (2020: 20%) or 1% based on total revenue (2020: 1%).

<b>Group</b>	<b>2021</b>		<b>2020</b>	
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>	<b>KHR'000</b>
<b>Income tax:</b>				
- Current year	1,182,020	4,815,549	576,794	2,333,132
Profit before tax	3,095,842	12,612,460	1,643,736	6,648,914
Tax calculated at the Cambodian tax rate of 20%	619,168	2,522,490	328,747	1,329,782
<b>Tax effects in respect of:</b>				
Expenses not deductible for tax purposes	753,256	3,068,765	575,818	2,329,184
Tax incentives and allowances	(136,215)	(554,940)	(158,207)	(639,947)
Income recorded, but not taxable during the period	(54,189)	(220,766)	(169,564)	(685,887)
Minimum tax paid	-	-	-	-
Income tax expense	1,182,020	4,815,549	576,794	2,333,132
<b>Company</b>	<b>2021</b>		<b>2020</b>	
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>	<b>KHR'000</b>
<b>Income tax:</b>				
- Current year	151,397	616,791	68,437	276,828
Profit before tax	516,659	2,104,868	696,899	2,818,956
Tax calculated at the Cambodian tax rate of 20%	103,332	420,974	139,380	563,791
<b>Tax effects in respect of:</b>				
Expenses not deductible for tax purposes	233,027	949,352	256,828	1,038,869
Tax incentives and allowances	(130,773)	(532,769)	(158,207)	(639,947)
Income recorded, but not taxable during the period	(54,189)	(220,766)	(169,564)	(685,885)
Income tax expense	151,397	616,791	68,437	276,828

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**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:

<b>Group</b>	<b>2021</b>		<b>2020</b>	
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>	<b>KHR'000</b>
Profit for the financial year attributable to owners of the Company	1,969,829	8,025,084	816,054	3,300,940
	<b>Units</b>	<b>Units</b>	<b>Units</b>	<b>Units</b>
Number of ordinary shares in issue	71,875,000	71,875,000	71,875,000	71,875,000
	<b>USD</b>	<b>KHR'000</b>	<b>USD</b>	<b>KHR'000</b>
Basic and diluted earnings per share	0.03	0.11	0.01	0.05

**23. DIVIDEND**

No dividend has been paid or declared by the Company since the end of the previous financial year.

**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.

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**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			
	2021 USD	KHR'000	2020 USD	KHR'000	2021 USD	KHR'000	2020 USD	KHR'000
<b><u>Subsidiaries:</u></b>								
Phnom Penh SEZ II Co., Ltd.								
- Management fee	-	-	-	-	1,200,000	4,888,800	1,200,000	4,854,000
- Payment on behalf	-	-	-	-	(1,184,029)	(4,823,733)	(324,061)	(1,310,826)
Poi Pet PPSEZ Co., Ltd.								
- Payment on behalf	-	-	-	-	(1,277,990)	(5,206,531)	(859,742)	(3,477,656)
Sahas E&C Co., Ltd.								
- Construction cost	-	-	-	-	(2,111,978)	(8,604,198)	(999,241)	(4,041,930)
Sahas Security Co., Ltd.								
- Security service	-	-	-	-	(152,820)	(622,589)	(138,561)	(560,479)
Sahas Properties Co., Ltd.								
- Payment on behalf	-	-	-	-	(3,154,901)	(12,853,065)	(279,491)	(1,130,541)
<b><u>Associate</u></b>								
COLBEN ENERGY (CAMBODIA) PPSEZ LIMITED								
- Rental income	548,000	2,232,552	548,000	2,216,660	548,000	2,232,552	548,000	2,216,660
- Purchase of electricity	(388,827)	(1,584,079)	(429,010)	(1,735,345)	(388,827)	(1,584,079)	(429,010)	(1,735,345)

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## 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.

	2021		2020	
	USD	KHR'000	USD	KHR'000
<b>Group and Company</b>				
Short term employees benefit	523,729	2,133,672	819,244	3,313,842

### 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 2021.

### 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, and trade and other payables are categorised as amortised cost.

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## **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.

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**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.

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**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, 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.



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**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	Carrying amount		Total USD	Within 1 year or on demand USD	More than 1 year but less than 5 years USD	More than 5 years USD
	USD	KHR'000				
<b>At 31 December 2021</b>						
Loans and borrowings	16,853,241	68,660,104	16,853,241	4,675,693	11,374,275	803,273
Trade and other payables	18,286,103	74,497,585	18,286,103	18,286,103	-	-
	<b>35,139,344</b>	<b>143,157,689</b>	<b>35,139,344</b>	<b>22,961,796</b>	<b>11,374,275</b>	<b>803,273</b>
<b>At 31 December 2020</b>						
Loans and borrowings	18,672,815	75,531,536	18,672,815	4,532,184	12,848,464	1,292,167
Trade and other payables	6,884,738	27,848,765	6,884,738	6,884,738	-	-
	<b>25,557,553</b>	<b>103,380,301</b>	<b>25,557,553</b>	<b>11,416,922</b>	<b>12,848,464</b>	<b>1,292,167</b>

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**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		Total USD	Within 1 year or on demand USD	More than 1 year but less than 5 years USD	More than 5 years USD
	USD	KHR'000				
<b>At 31 December 2021</b>						
Loans and borrowings	11,966,512	48,751,570	11,966,512	3,086,954	8,530,089	349,469
Trade and other payables	12,704,319	51,757,396	12,704,319	12,704,319	-	-
	<b>24,670,831</b>	<b>100,508,966</b>	<b>24,670,831</b>	<b>15,791,273</b>	<b>8,530,089</b>	<b>349,469</b>
<b>At 31 December 2020</b>						
Loans and borrowings	17,231,387	69,700,959	17,231,387	4,379,778	11,559,442	1,292,167
Trade and other payables	5,741,870	23,225,864	5,741,870	5,741,870	-	-
	<b>22,973,257</b>	<b>92,926,823</b>	<b>22,973,257</b>	<b>10,121,648</b>	<b>11,559,442</b>	<b>1,292,167</b>

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**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.

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

**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:

Group	2021		2020	
	USD	KHR'000	USD	KHR'000
Property, plant and equipment	4,035,448	16,440,417	3,157,279	12,771,192
Inventories - Freehold land	1,484,002	6,045,825	9,072,034	36,696,376
<hr/>				
<b>Company</b>				
Property, plant and equipment	-	-	3,157,279	12,771,192
Inventories - Freehold land	966,006	3,935,508	9,072,034	36,696,376
<hr/>				

**(b) Non-cancellable operating leases**

The Group leases land and office under operating leases for average lease term between one to five years.

Future minimum rental payable under the non-cancellable operating lease at the reporting date is as follows:

Group	2021		2020	
	USD	KHR'000	USD	KHR'000
within one year	47,993	195,523	76,686	310,194
within five years	87,607	356,912	139,512	564,325
	135,600	552,435	216,198	874,519
<hr/>				

**30. COVID-19 PANDEMIC**

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 are no material adverse effects on the financial statements for the financial year ended 31 December 2021.

**PHNOM PENH SEZ PLC.**  
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## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **30. COVID-19 PANDEMIC (CONTINUED)**

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 2022 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.

### **31. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

#### **(i) Acquisition of the Company by Inter Logistics (Cambodia) Co., Ltd.**

The Company had on 22th December 2021, announced that its' founding shareholder and former chairwomen, Lok Chumteav Oknha Lim Chhiv Ho has disposed 100% of her 45.09% interest in the Company, representing 32,410,000 shares of the Company to Inter Logistics (Cambodia) Co., Ltd., a member of Royal Group of Companies. This was subsequently approved in the extraordinary general meeting of the Company on 26<sup>th</sup> January 2022.

#### **(ii) Change in Board of Directors**

Mr. Tan Kak Khun, the Non-Executive Chairman and Mr. Kenji Toyota, the Non-Executive Director were resigned from the Group and Neak Oknha Kith Meng and Mr. Mark Hanna were appointed as the Non-Executive Chairman and the Non-Executive Director of the Group respectively, with effect from 26<sup>th</sup> January 2022, being the date of extraordinary general meeting of the Company.

### **32. MATERIAL LITIGATION AND CONTINGENT LIABILITIES AND ASSETS**

#### **• During financial year ended 31 December 2020:**

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.

**PHNOM PENH SEZ PLC.**  
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## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

### **32. MATERIAL LITIGATION AND CONTINGENT LIABILITIES AND ASSETS (CONTINUED)**

- **During financial year ended 31 December 2021:**

As replied by the Company's lawyer concerning litigation, claim and assessment dated 18<sup>th</sup> March 2022 mentioned that The Company brought a counterclaim against Colben System Pte Ltd and Colben Energy Holdings (PPSEZ) Limited (together, the Claimants) for the alleged breaches of the arbitral confidentiality by reason of the Claimants communicating the existence of the Arbitration and the underlying dispute to third parties, including their ultimate parent company, which then publicised the same by way of inter alia SGX announcements on 19<sup>th</sup> November 2020.

The Claimants have since withdrawn their claims in entirety and on terms that prevent them from pursuing the same claims in future and have also agreed to make payment to the Company of its costs of defending the claims. The parties addressed the arbitral tribunal on the appropriate quantum of costs to be rewarded, and awaiting the tribunal's decision.

The Company has continued to pursue its counterclaim, quantified at an estimated value of USD5 million. The matter is awaiting the tribunal's decision. The directors of the Company consider it to be win case. As such the directors are of the view that a provision contingent liability in relation to the previous claimed by the Claimants is not applicable.

### **33. COMPARATIVE FIGURES**

Certain figures have been reclassified to conform to the current year's presentation of the financial statements.

### **34. AUTHORISATION OF FINANCIAL STATEMENTS**

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2022.

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 2021 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 84.

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 2021, 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 the 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 significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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**

**Refer to Note 3.14(b), Note 4(d) and Note 17 to the financial statements**

For the financial year ended 31 December 2021, revenue recognised from sale of land of the Group and of the Company amounted to USD21,189,142 and USD4,598,528 respectively.

The sale of land is recognised by the Group and by 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 revenue from sale of land accounts for the majority of the Group's and the Company's total revenue and significant management judgement is required to be exercised, in particular with regards in determining the timing of the land being made available for occupation to the tenants. Given the significance of revenue from sale of land to the Group's and to the Company's financial statements, errors in establishing the satisfactory of performance obligation of the sale of land could result in a material misstatement to the financial statements.

Accordingly, we have identified this as a key audit matter.

Our response:

- We obtained understanding of 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;
- We discussed the timing and status of handover for the land sale with the management by verifying its corresponding agreements;
- We assessed the reasonableness of management's assessment of CIFRS 15 with its corresponding agreements and documents for their land sale;
- We tested the mathematical accuracy of revenue and corresponding cost recognised; and
- We assessed the adequacy of disclosure in the financial statements.

Based on the above procedures performed, we did not identify any material exceptions.

**(b) Impairment of trade and other receivables**

**Refer to Note 3.10, Note 4(d) and Note 10 to the financial statements**

As at 31 December 2021, the carrying values of trade and other receivables of the Group and of the Company amounted to USD21,550,960 and USD8,538,465 respectively.

We focused on this area because trade and other receivables account for the majority of the Group's and of the Company's total assets and significant management judgement is involved in determining the risk of default and expected loss rate. Given the significance of trade and other receivables to the Group's and to the Company's financial statements, errors in concluding the risk of default and expected loss rate could result in a material misstatement to the financial statements.

Accordingly, we have identified this as a key audit matter.



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

**Key Audit Matters (continued)**

**(b) Impairment of trade and other receivables (continued)**

Our response:

- We obtained understanding of the design and implementation of controls associated with the management's monitoring of outstanding receivables and impairment calculation;
- We developed 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 the management;
- We obtained confirmation of balances from selected receivables;
- We checked subsequent receipts, customer correspondence and considered the level of activity with the customer and management's explanation on recoverability with significantly past due balances; and
- We assessed the reasonableness and calculation of expected credit losses as at the end of the reporting period.

Based on the above procedures performed, we did not identify any material exceptions.

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

**Refer to Note 3.19, Note 4(c) and Note 32 to the financial statements**

A Notice of Arbitration was lodged against the Company as disclosed in Note 32 to the financial statements.

We focused on this area because the complexity, the significance of amount of claim and significant management judgement is involved in assessing the likelihood of this liability crystallising and consequently whether a liability should be recognised. Given the significance of this material litigation to the Company's financial statements, errors in concluding the likelihood of this liability and assets crystallising could result in a material misstatement to the financial statements.

Accordingly, we have identified this as a key audit matter.

Our response:

- We evaluated the management's assessment of the nature and status of this material litigation and considered the probability of a liability and an asset crystallising;
- We read through legal opinion obtained by the management; and
- We discussed with the management and external solicitors and read through subsequent legal correspondences.

Based on the above procedures performed, we did not identify any material exceptions.

Company No. 00006448

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

**Key Audit Matters (continued)**

**(d) Impairment of investment in associates and subsidiaries**

**Refer to Note 3.10, Note 7 and Note 8 to the financial statements**

As at 31 December 2021, the carrying values of investment in associates of the Group and of the Company amounted to USD12,697,262 and USD11,572,712 respectively; whilst carrying values of investment in subsidiaries of the Company amounted to USD39,983,104.

We focused on these areas because investment in associates and subsidiaries account for the majority of the Group's and of the Company's total assets and the management's assessment of the recoverability of these investments involved subjective judgements and assumptions about the future results of these investments. Given the significance of these investments to the Group's and to the Company's financial statements, errors in concluding these judgements and assumptions about the future results of these investments could result in a material misstatement to the financial statements.

Accordingly, we have identified this as a key audit matter.

Our response:

- We evaluated the management's expectations for achieving targeted sales volume and profit margins, we obtained sufficient understanding of the basis on which the management believe these could be achieved in the future;
- We assessed the management's expectations for the targeted sales volume and profit margins and compared these to the latest reported order book from customers;
- We checked the key assumptions used by management in the value-in-use calculations, in particular, sales volume growth rate and margins comparing to business plans;
- We checked the reasonableness of discount rate used by the management;
- We performed sensitivity analysis on sales volume growth rates, margins and discount rate in order to assess the potential impact of a range of possible outcome on impairment assessment;
- We reviewed the financial statements of these components to assess whether impairment made in the Group and in the Company in regards to these components are materially insufficient; and
- We assessed the adequacy of the disclosure in the financial statements.

Based on the above procedures performed, we did not identify any material exceptions.

Company No. 00006448

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

(Incorporated in Cambodia)

**Information Other than the Financial Statements and Auditors' Report Thereon**

The management of the Company is 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), which we obtained prior to the date of this auditors' report, and other sections included in the annual report, which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the 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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

The management of the Company is 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 management is also responsible for such internal controls as the management determines is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the management is 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 management either intends to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance of the Company is responsible for overseeing the Group's financial reporting process.

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**

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 management.
- conclude on the appropriateness of the management's use of 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 and on 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.
- 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 those charged with governance 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.

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)**

We also provide those charged with governance with a statement that we have complied with the 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, actions taken to eliminate threats or safeguards applied.

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



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



**Tan Khee Meng**  
Certified Public Accountant

Phnom Penh, Kingdom of Cambodia

Date: **30 MAR 2022**