



ROYAL GROUP
PHNOM PENH SEZ

Annual Report

For the year ended 31 December 2022





ROYAL GROUP PHNOM PENH SEZ

Our Vision:

To become an outstanding SEZ by developing sustainable community by creating opportunities and by improving the quality of life

Our Mission:

To contribute to the industrialization of the country in environment-friendly way with innovative technology





Financial Highlights

Financial Position (KHR'000)		FY-2022	FY-2021	2020
Total assets		472,057,093	426,234,002	384,061,630
Total liabilities		217,293,901	178,231,028	141,075,559
Total equity		254,763,192	248,002,974	242,986,071
Financial Performance (KHR'000)		FY-2022	FY-2021	Fy-2020
Total revenue		107,318,596	114,169,567	67,477,201
Profit/(Loss) before tax		10,029,057	12,439,741	6,648,914
Net profit/(loss) after tax		8,596,473	7,785,428	4,315,782
Financial Ratios		FY-2022	2021	2020
Liquidity				
Liquidity ratio	Current ratio	2.14	2.90	5.61
	Quick ratio	0.84	1.24	2.23
		FY-2022	FY-2021	FY-2020
Profitability	Return on assets	1.82%	1.83%	1.12%
	Return on equity	3.37%	3.14%	1.78%
	Gross profit margin (%)	39.90%	38.65%	48.79%
	Net profit margin (%)	8.01%	6.82%	6.40%
	Earnings per share	119.6	108.3	60.0
Interest Coverage Ratio		2.66	3.07	(0.13)
Dividend paid per share (if available) (KHR'000/Share)		-	0.044	0.023

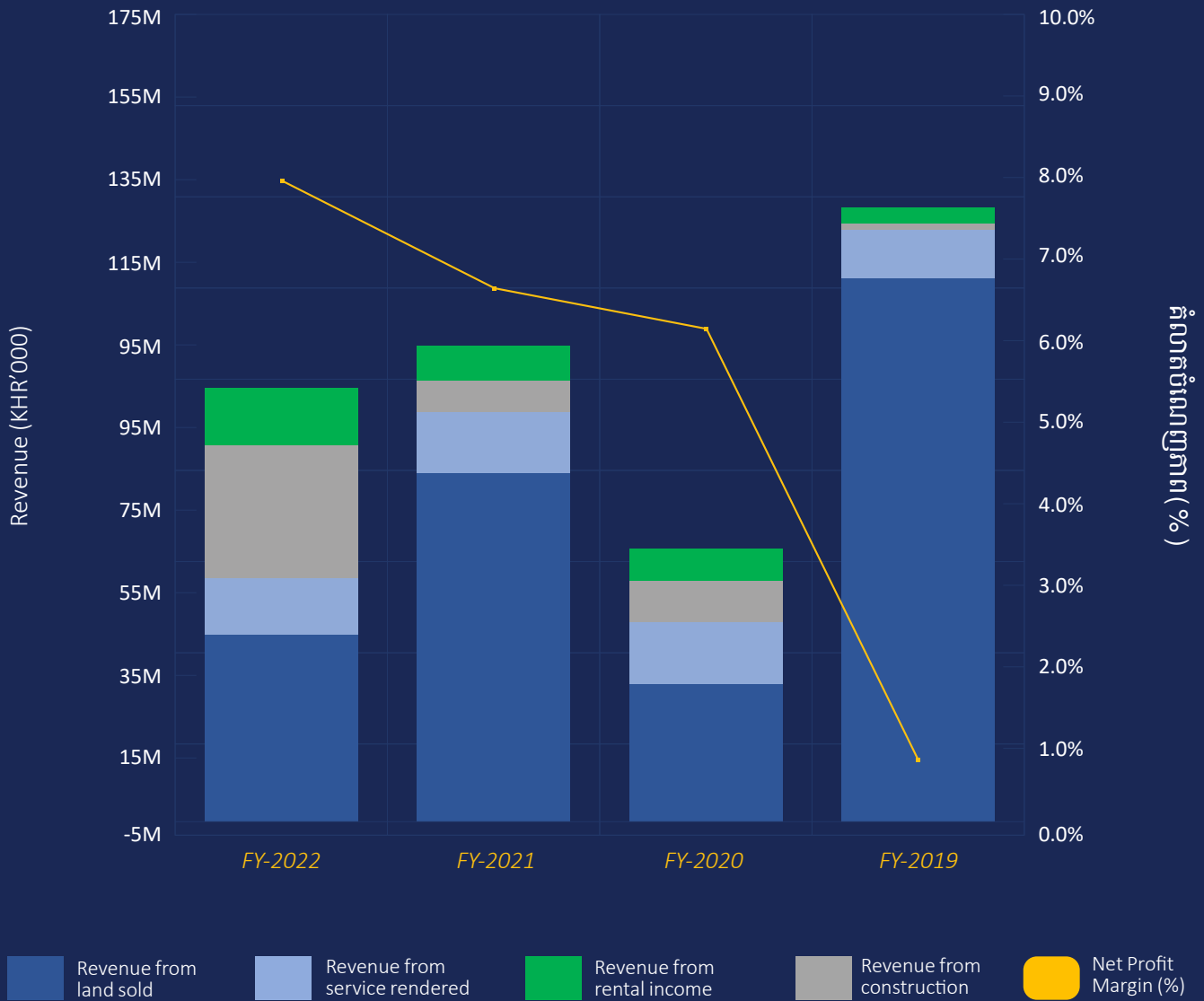




Financial Summary Charts

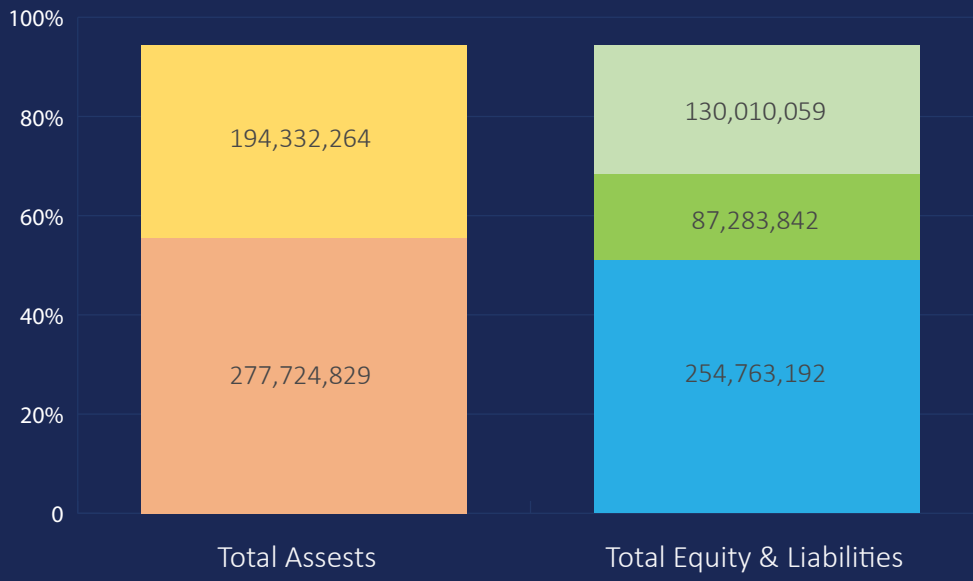


Group Financial Results the Last Fiscal Year 2022





Capital Structure (As of 31 December 2022)



Current Assets

Non-Current Assets

Non-Current Liabilities

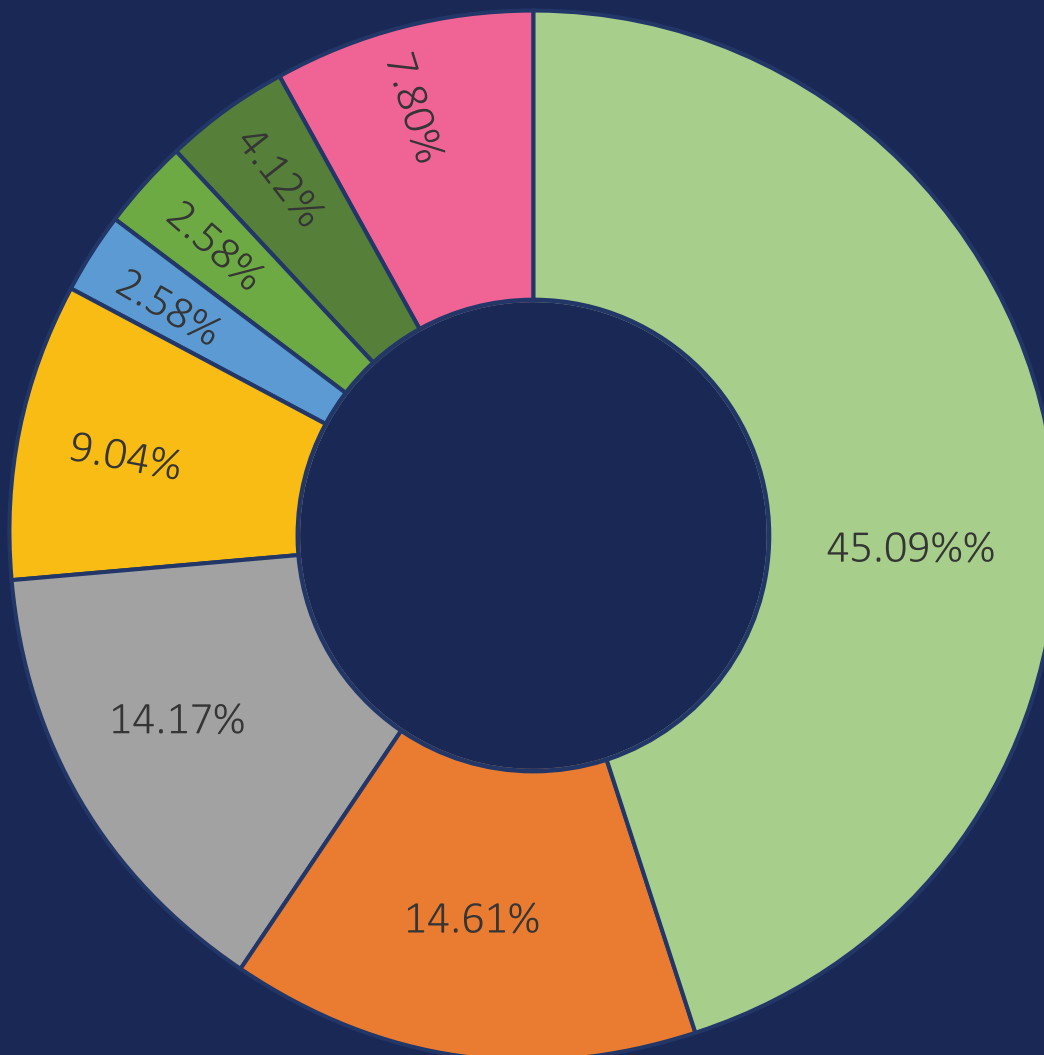
Equity

Current Liabilities





Shareholding Structure (As of 31 December 2022)



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





Board of Directors



Neak Oknha Kith Meng
Non-Executive Chairman



Mr. UEMATSU Hiroshi
Executive Director



Mr. Kang Wei Geih
Independent Director



Ms. Hep Seka
Independent Director



Mr. OTSUBO Hiroshi
Non-Executive Director



Mr. Mark Hanna
Non-Executive Director



Dr. Eakapong Tungrsisanguan
Non-Executive Director





Neak Oknha Kith Meng Non-Executive Chairman

Date: 29th March, 2023



Neak Oknha Kith Meng

Statement from Chairman

Chairman Statement.

Dear Fellow Shareholders

It gives me great pleasure to present to you the Annual Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2022.

On behalf of the Board of Directors I would like to express our appreciation to the past Independent Director, Mr. ARTHUR LAW HIAN TAT and also to the Non-executive Director, Mr. TANATE PIRIYOTHINKUL for their past services rendered to the Company.

At the same time, I would also like to welcome Dr. EAKAPONG TUNGSRISANGUAN on board as a new Non-executive Director, and Ms. HEP SEKA as new Independent Director who were both appointed to the Board on 10 August 2022.

BUSINESS OVERVIEW

The performance for the past year is commendable as despite the various factors affecting the world including the Ukraine – Russian conflict, the Company was hardly affected as it still managed to draw new investors to the zone

FINANCIAL REVIEW

For the year we achieved a Revenue of 107,318,596 KHR'000 compared to the previous year of 114,169,567 KHR'000, slightly down by 6%. Profit after Taxation however was at 8,596,473 KHR'000 compared to 7,785,428 KHR'000, an increased of 10.42% due to the lower taxation charge.

The financial position of the Company remains strong with Total Assets improving to 472,057,093 KHR'000 from 426,234,002 KHR'000 an increased for the year of 10.75%.

The Total Assets comprised of Non Current Assets of 194,332,264 KHR'000 and Current Assets of 277,724,829 KHR'000.

Total Equity also improved in line to 254,763,192 KHR'000 from 248,002,974 KHR'000 an increased of 2.73%.

OPERATIONAL REVIEW

During the year we continue to improve our maintenance of the infrastructures of the zone including the laying of a new layer of asphalt of the main road leading into the zone. Maintenance is ongoing and we aim to improve and provide top class seamless connections to the various locations for the convenience and benefits for all the operations in the zone.

PROSPECTS

Barring any unforeseen circumstances, we are optimistic that for the current year 2023 will be another commendable year for the Company.

ACKNOWLEDGEMENT

On behalf of my fellow Board members, I wish to state that I sincerely appreciate the support from all our shareholders, customers, bankers and business associates. To the members of the Board, management and employees of the Group, I wish to thank them for their unwavering commitment and dedication towards enhancing shareholders' value in our pursuit of growth for the Group.



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Chapter 1: Corporate Information

1.1 General Information

Company Name: Phnom Penh SEZ, Plc.

Company Code: PPSP

Company Address: Royal Group Phnom Penh Special Economic Zone National Road No. 4, Khan Kambol, Phnom Penh, Cambodia, 120906.

Phone Number: (+855) 092 729 798

Website: www.ppsez.com

Email: sales@ppsez.com

Company registration number: Inv. 1076KH/2006

Date: 10 May 2006

License number: 33 ANKr. BK (Sub-decree) Issued by Royal Government of Cambodia

Date: 19 April 2006

Listed Exchange: Cambodia Securities Exchange (CSX)

Approval Date: 23 March 2016

Company Representative: Neak Oknha Kith Meng Phnom Penh Special Economic Zone changed its name to **Royal Group Phnom Penh Special Economic Zone** on March 16, 2022

Poipet PP Special Economic Zone changed its name to **Royal Group Poipet Special Economic Zone** on March 16, 2022

❖ ❖ ❖ 1.2 Business Overview

Royal Group Phnom Penh SEZ Plc. (To be officially amended) is the developer and operator of Royal Group Phnom Penh Special Economic Zone and Royal Group Poipet Special Economic Zone (was renamed on 16 March 2022). We are in the forefront of SEZ developers and operators in Cambodia.

We received the approval as a developer of a multi-product SEZ from the Royal Government of Cambodia on 19 April 2006, making us the SEZ currently operating in the close proximity of Phnom Penh, the capital of Cambodia. The SEZ designation provides considerable government incentives and benefits to SEZ developers, operators and its zone investors, including exemptions from customs tax, income tax and other taxes, resulting in reduced costs for infrastructure, utilities, raw materials and other resources, which increases export competitiveness and benefits international trade. Our Company is principally involved in the business of operating and managing of SEZ with the main purpose of developing industrial land for sale/lease. In addition, as an operator, our Company is also involved in supplying other relevant services and facilities within Royal Group Phnom Penh Special Economic Zone such as supply and distribution of treated water, rental service, infrastructure maintenance, advisory service and administration support, wastewater treatment and other services. We are currently operating the Royal Group Phnom Penh Special Economic Zone located at National Road No. 4, Sangkat Kantouk, Khan Kambol in Phnom Penh, Cambodia.

Royal Group Phnom Penh Special Economic Zone is currently operating in the proximity of the capital city of Cambodia, Phnom Penh. As at 31 December 2022, it is one (1) out of seventeen (17) operating SEZs (from a total of thirty-six (36) approved SEZs) in Cambodia. In addition, as at 31 December 2022, Royal Group Phnom Penh Special Economic Zone is a leader in term of the number of zone investors, total investment amount, and the number of workers among all the approved SEZs in Cambodia and is one of the largest SEZs in Cambodia by land size with a land size measuring approximately 357.32 HA.

As of 31 December 2022, our company employs one hundred and seven (107) personnel.

Through our subsidiaries and associate companies, our Group also provide security services, independent power production and distribution and dry port services to the zone tenants and zone investors of Royal Group Phnom Penh Special Economic Zone.

In this year, we established 3 new subsidiaries/associate including 1) Royal Group Phnom Penh Special Economic Zone II Co.,Ltd for new SEZ development 2) Sahas Properties Co.,Ltd as our property development flagship and 3) Gomi Recycle (Phnom Penh) Co.,Ltd, where we partner up with Japanese company for solid waste management business.



We commenced our operation in Royal Group Phnom Penh Special Economic Zone in 2007 with the construction of Phase I of Royal Group Phnom Penh Special Economic Zone and by August 2008, we received our first zone investor operating in Royal Group Phnom Penh Special Economic Zone. Throughout the years, we have experienced rapid growth in Royal Group Phnom Penh Special Economic Zone as a result of the increasing interest amongst the foreign and local investors to set up their business operations inside Royal Group Phnom Penh Special Economic Zone. As of 31 December 2022, Royal Group Phnom Penh Special Economic Zone accommodates twelve (12) investors from fourteen (14) nations where the majority comes from Japan, Malaysia, Taiwan, China, USA, and Korea in wide-ranging industries such as automobile parts, garment, food and beverage, plastic products, electronic products, and jewelry.

We are currently operating the Royal Group Phnom Penh Special Economic Zone located at National Road No. 4, Khan Posenchey in Phnom Penh, Cambodia. Royal Group Phnom Penh Special Economic Zone is strategically located with access to rail and road network. It is situated at approximately



In addition to its strategic location, Royal Group Phnom Penh Special Economic Zone facilitates and attracts its investors with key features as follows:

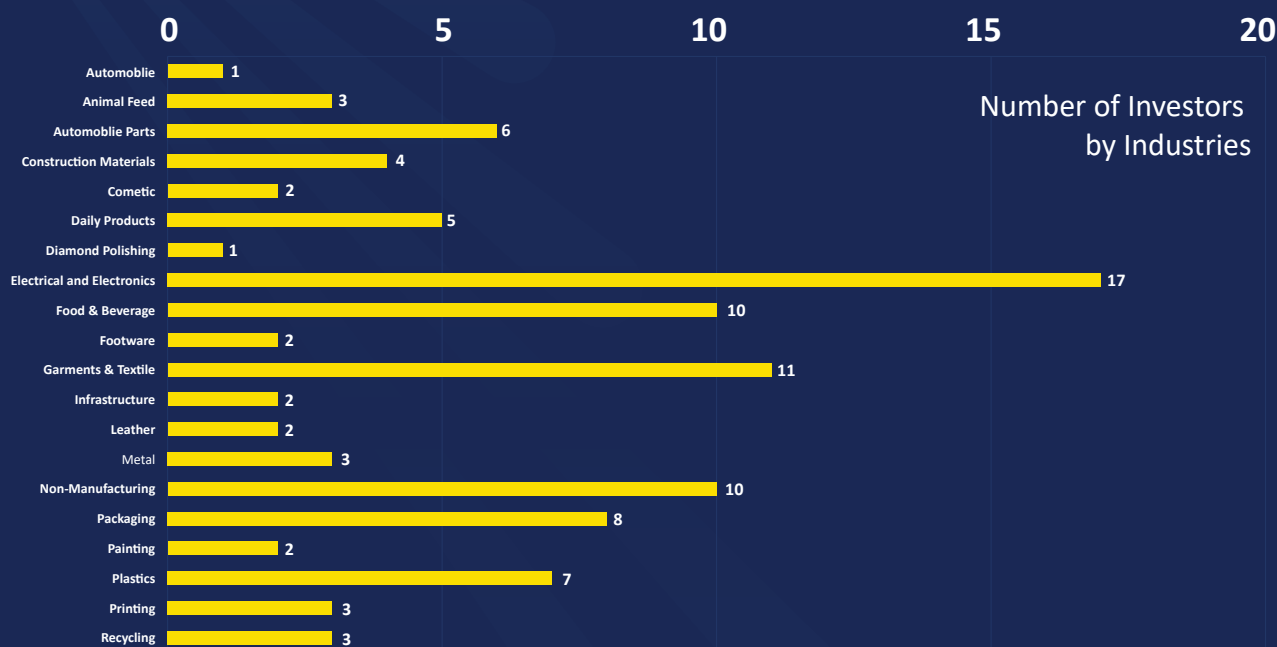
- I.** Independent power plant operated by Colben PPSEZ, one of our associate companies, to provide power supplies in the event there is a power outage from the national power grid;
- II.** Independent water supply system with water purification and sewage treatment plant;
- III.** On-site dry port operated by Bok Seng PPSEZ, one of our associate companies, which provides fast and reliable loading and storage facilities to ease import/export transaction and to accommodate transportation needs;
- IV.** Comprehensive telecommunication network which is able to link up with twelve (12) different internet service providers and four (4) different telephone service providers;
- V.** Flood-safe dike equipped with modern drainage system providing security for smooth and dry operations for its zone investors;
- VI.** In-house security services, operated by Sahas PPSEZ Co., Ltd, one of our wholly-owned subsidiaries, to oversee and maintain security in the zone
- VII.** In-house construction services, operated by Sahas E&C Co.,Ltd, one of our subsidiaries; and
- VIII.** “On-site, one-stop” services in partnership with relevant government agencies i.e. CSEZB, Customs and Excise Department, CAMCONTROL, MOC, and MLVT to assist with custom clearance, business registration, and compliance for its zone investors.



With modern infrastructure, Royal Group Phnom Penh Special Economic Zone has attracted more investors to set up their operation in the zone. Our company's revenue generating activities are as follows:

1.2.1 Land Sales

Over the last eleven (11) years from 2012 to 2022, the income generated from the sale of land in Royal Group Phnom Penh Special Economic Zone is the major contributor to our Group's total revenue. The revenue from the sale of land depends on the number of plots sold and size of each plot sold. Royal Group Phnom Penh Special Economic Zone is located approximately eighteen (18) Km from the Phnom Penh City Center with access to National Road 4. The SEZ designation allows zone investors to apply and enjoy government incentives and benefits resulting in reduced infrastructure cost when the zone investors set-up their plants in Royal Group Phnom Penh Special Economic Zone. Based on Cambodian law, only natural persons or legal entities of Cambodian nationality have the right to ownership of land in Cambodia, therefore, the land sales performed in Royal Group Phnom Penh Special Economic Zone are either through an outright sale or via a long-term lease. For outright sales of land transaction, which are solely reserved for local buyers, it is based on a sale and purchase agreement in which the land title of the sold property lot(s) will be transferred to the local buyer upon completion of the agreement. On the other hand, for long-term lease, which can be leased to a local or foreign buyer, it is performed through a non-refundable fifty (50) years term lease agreement with an option to extend for another fifty (50) years on the same terms and conditions renewable by lessee.



Over the last ten (10) year from 2012 to 2022, the number of our company's outright sales/ long-term lease of land transactions in Royal Group Phnom Penh Special Economic Zone can be categorized as follows:

Description	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Outright sale	0	0	0	0	0	1	0	0	1	1	3
Long-term lease	1	5	3	8	7	9	9	8	6	14	11
Total land sales transaction	1	5	3	8	7	10	9	8	7	15	14

As at 31 December 2022, Royal Group Phnom Penh Special Economic Zone has a total land area of approximately 357.32 HA that will be developed in three (3) phases as follows:

I.Phase I has completed its major infrastructure and facilities development in 2009. It has a total area of approximately 141 HA where approximately 86.71 HA are developed to accommodate sixty-one (61) factory lots with size ranging from 0.19 HA to 10.57 HA each. Phase I also includes approximately 24.46 HA of land that was designed for commercial developments which could accommodate but not limited to shop lots, restaurants and banks. Further, approximately 1.53 HA of land were designated for worker hostel area. The remaining zone area are designed for infrastructure usage and service area including our headquarter;

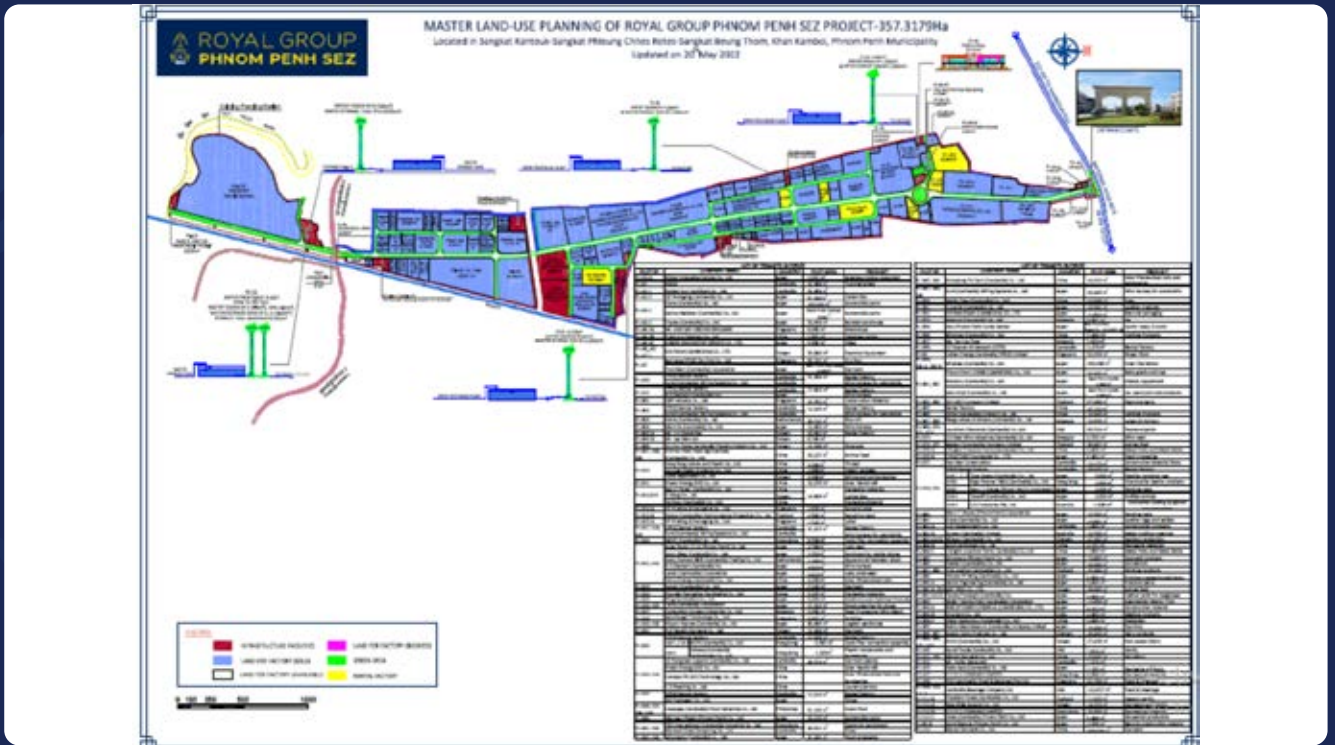
II.ii. Phase II-II covers an area of approximately 73.74 HA in Which 57.82 HA are developed to accommodate thirty-one (31) factory lots with size ranging from 0.64 HA to 9.28 HA each. The remaining zone areas were designated for infrastructure and commercial area; and Phase III, with a land size of approximately 57.79 HA, is still under development. we, in this year, reached an agreement to sell 41.3 HA to Gain Lucky Limited, a subsidiary of Shenzhou International Group, the largest manufacturer of high-end knitwear in China. This transaction was considered as the largest-ever land sales transaction by the Company.

II.i.Phase II has a land size of approximately 162 HA, where its development is divided into Phase II-I and Phase II-II. Phase II-I has completed its major infrastructure and facilities since 2014. Phase II-I comprises approximately 87.85 HA of land area, in which 59.85 HA are developed to accommodate twenty-eight (28) factory lots with size ranging from 0.50 HA to 10.00 HA each, approximately 2.82 HA are rented as worker hostel area and the rest of the zone area are used for infrastructure purpose. Phase II-II completed its major infrastructure and facilities since early 2016.

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

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





❖❖❖ 1.2.2 Services Rendered

Apart from the outright sale and long-term lease of land, we also provide the tenants of Royal Group Phnom Penh Special Economic Zone with services and infrastructure to facilitate their operations in Royal Group Phnom Penh Special Economic Zone, which includes the following:



Utilities

We provide our tenants with an independent and steady supply of water. Water is supplied through the installation of a water processing plant with a capacity of producing 14,900 m³ of fresh water on a daily basis and is located within the Royal Group Phnom Penh Special Economic Zone where it collects water primarily from Stoeng Preak Tnot located next to Royal Group Phnom Penh Special Economic Zone.

water is also collected through the rain water storage pond with a capacity of 25,000 m³. The rain water storage pond also serves as temporary water supply backup system in the event that there is disruption of water supply from the river water. Prior to supplying the water to the tenants of Royal Group Phnom Penh Special Economic Zone, experienced engineers in water processing plant will undergo quality testing on the water with effective and modern tools and equipment in the plant's laboratory to ensure the water quality meets the industrial standards.

Our company has also installed a total of five (5) elevated storage reservoirs and water tanks for water storage and proper water pressure for the tenants' usage.

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

The pictures below show the independent power plant located in Royal Group Phnom Penh Special Economic Zone.



Infrastructure Maintenance

To maintain the infrastructure and general operation cost of the Royal Group Phnom Penh Special Economic Zone in the common area such as roads, electricity charges for the street lights, and other maintenance cost for the infrastructures facilities inside Royal Group Phnom Penh Special Economic Zone, our company also collects infrastructure maintenance fee from the zone occupants in Royal Group Phnom Penh Special Economic Zone. The Infrastructure maintenance fee is collected based on the land area of an occupant, multiplies by a prefixed rate of maintenance fee.



Advisory Service and Administration Support

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

Operations with various authorities in Cambodia, which includes:

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

Wastewater Treatment

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

The pictures below show the water filtration and sewage treatment facility in Royal Group Phnom Penh Special Economic Zone





❖ ❖ ❖ 1.2.3 Rental Income

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

❖ ❖ ❖ 1.2.4 Construction Business

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

❖ ❖ ❖ 1.2.5 Market Situation

As at 31 December 2022, our company has secured a total of 104 zone investors/tenants in Royal Group Phnom Penh Special Economic Zone from countries such as Japan, Singapore, Malaysia, Taiwan, Korea, Philippines, China, Vietnam, Turkey, USA, Cambodia and Thailand.

We mainly target zone investors that involved in the light to medium and more labor intensive industries and have thus far, attracted investors from the following industries:

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

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

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

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

Supporting infrastructure and facilities within SEZ further attract zone investors to channel their investments in SEZs, hence accelerating the development of the SEZs.

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



Kerry Worldbridge SEZ	Phnom Penh	2015	63	1
Qi Lu (Jian Pu Zhai) SEZ	Svay Rieng	2017	179.12	1
Suvannaphum SEZ	Kandal	2014	200	1

1.2.6 Competitive Advantage

The primary elements for our competitive advantage are as follows:

1.2.7 Strategic location of Royal Group Phnom Penh Special Economic Zone

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

Royal Group Poipet Special Economic Zone is a new Special Economic Zone (SEZ), developed and operated under Poi Pet PPSEZ Co., Ltd., a wholly-owned subsidiary of Phnom Penh SEZ Plc. It is located in Banteay Meanchey Province, Northwestern Cambodia neighboring the Cambodia-Thai Border. It is approximately 8 Km East of the Poipet city center, with access to one of the key border crossing point with Thailand in the northwest of Cambodia. Its aforesaid strategic location is attractive to prospective investors who are looking for starting new manufacturer, warehouse, or distribution center. It is actually 250 km away from the deep sea port at Laem Chabang, Thailand.

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

1.2.8 Established relationship with customers

Currently, we have been involved in the development and management of SEZ for over 16 years. As at 31 December 2022 Royal Group Phnom Penh Special Economic Zone has 104 zone investors (in respect of SEZs, customers are also known as zone investors as they set up their operations within the SEZs) that have already set-up or in the process of setting up manufacturing/assembling plants in Royal Group Phnom Penh Special Economic Zone. Furthermore, as at 31 December 2022, Royal Group Phnom Penh Special Economic Zone is one of the leading SEZs in term of invested capital and number of tenants among all the thirty-six (36) approved SEZs in Cambodia.

In addition, through our Japanese shareholder and the wide business network of the management of PPSP, As at 31 December 2022, our company has successfully attracted 41% Japanese companies invested in Royal Group Phnom Penh Special Economic Zone which makes Royal Group Phnom Penh Special Economic Zone to have the largest Japanese investor base among all the SEZs in Cambodia.

1.2.9 Our experienced board of directors/management team

Our company is led by a team of experienced and diversified nationality of board of directors/management team. They have led our company since its incorporation in 2006. They have been involved in managing infrastructure development, property development and investment, trading in consumer goods, leisure and hospitality in Cambodia for over thirty (30) years. On the other hand, our CEO, Mr. UEMATSU Hiroshi has been involved in business administration and engineering related industries for over twenty (20) years.

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

1.2.10 Our value added services

In addition to the development and management of Royal Group Phnom Penh Special Economic Zone, our Group also able to provide value added services including:

- In-house security services provided by our wholly-owned subsidiary, namely Sahas PPSEZ;
- In-house construction services, provided by Sahas E&C Co.,Ltd, our subsidiary;
- Stable backup power supply from an independent power plant located in Royal Group Phnom Penh Special Economic Zone that is operated by Colben PPSEZ, an associate company;
- Dry port facilities inside Royal Group Phnom Penh Special Economic Zone which is operated by Bok Seng PPSEZ, an associate company; and
- Other infrastructures such as independent water purification and sewage treatment plant, comprehensive telecommunication network, sufficient warehouse rental space, dormitory rental service and other services catering the diverse needs of the tenants of Royal Group Phnom Penh Special Economic Zone.
- Consultation and government procedures supports.
- Worker recruitment supports and trainings.
- Dormitory for workers.
- Clinic.
- Hotel and restaurants.



❄️ ❄️ ❄️ 1.2.11: Future Business Plan

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

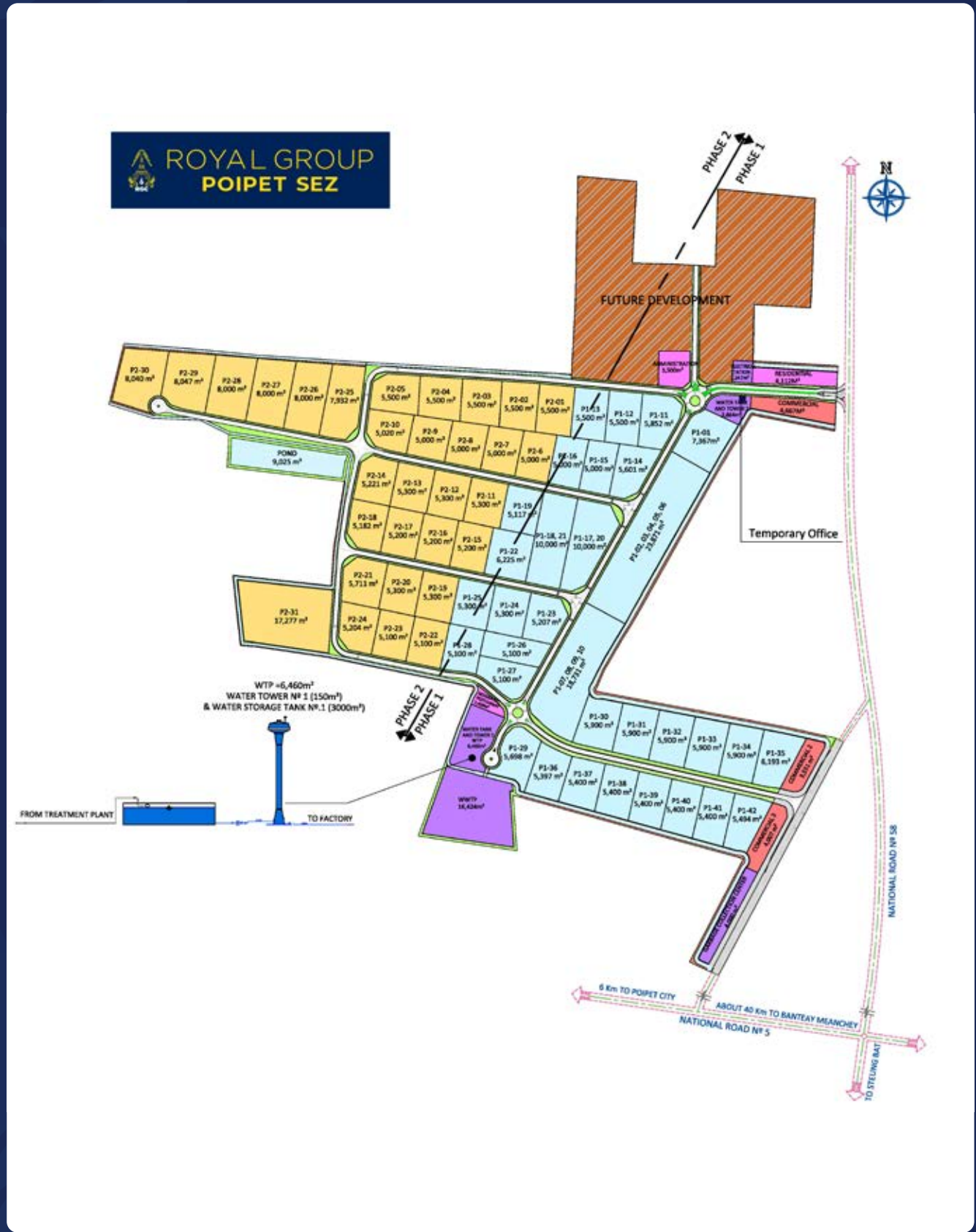
❄️ ❄️ ❄️ 1.2.12 Commencement of major infrastructure and facilities works for Royal Group Poipet SEZ

Since 2014, we start developing new SEZ in Banteay Meanchey Province of Cambodia under the name “Royal Group Poipet Special Economic Zone”, which has been operated by our wholly-owned subsidiary, Poi Pet PPSEZ Co.,Ltd. With the total land size of 68.4 Ha., the Royal Group Poipet Special Economic Zone is located in the proximity of Poipet city, approximately 5.60km east of the Poipet city center, where it has access to one of the border crossing check point in the northwest of Cambodia which is adjacent to the border with Thailand.

The Poipet city is located approximately 306km away from Bangkok and approximately 410km away from Phnom Penh. As at 31 December 2022 there are two (2) approved SEZs in Poipet city namely Poipet O’Neang SEZ and Sanco Poi Pet SEZ. The Royal Group Poipet Special Economic Zone is strategically located with access to the National Road No. 5 which will constitute part of the Asian Highway 1 that provides convenient accessibility and facilitates the distribution of goods to Cambodia and also the inner parts of Thailand and other Asian countries. It is also located approximately 250km away from the Laem Chabang Port, one of the main deep-sea ports located in the eastern part of Thailand.



The preliminary concept for Royal Group Poipet Special Economic Zone is to develop it into a SEZ that caters to the potential light industries investors whom would like to make Cambodia as its alternative manufacturing hub to Thailand. Currently, we are in the process of preparing the necessary documentation to obtain approval for Royal Group Poipet Special Economic Zone from the relevant Cambodian authorities for the SEZ designation. At this juncture, we are developing the Royal Group Poipet Special Economic Zone in two (2) phases, Phase I and Phase II. The development map is as shown below:



Phase I of the Royal Group Poipet Special Economic Zone covers an area of approximately 35.18 HA whereby approximately 22.32 HA are allocated to accommodate a total of 42 factory lots with the size ranging from approximately 0.44 HA to 0.73 HA each. It will also house a commercial area, a dry port, workers' accommodation, administrative office building and other facilities and infrastructure buildings. On 10th April 2019, Sumitronics Manufacturing (Cambodia) Co., Ltd. became our first tenant in Royal Group Poipet Special Economic Zone. They agreed to purchase 1 Ha with option to purchase another 1 Ha in the near future. On 03rd June 2022, HGB Motors Assembly Co., Ltd. became our second tenant as they agreed to rent our warehouse of 0.74 HA, and lease our land of 2.39 HA. On 22nd June 2022, they agreed to lease another land of 1.87 HA.

In addition, Phase II of the Royal Group Poipet Special Economic Zone will commence its major infrastructure and facilities works. It will cover an area of approximately 24.68 HA whereby approximately 19.14 HA are allocated to accommodate a total of 31 factory lots with size ranging from approximately 0.5 HA to 1.73 HA each and the rest of the area are designed for infrastructure and service area. After collectively acquire additional land over the last three (3) years, Royal Group Poipet SEZ has owned the total area of 70.44 HA.

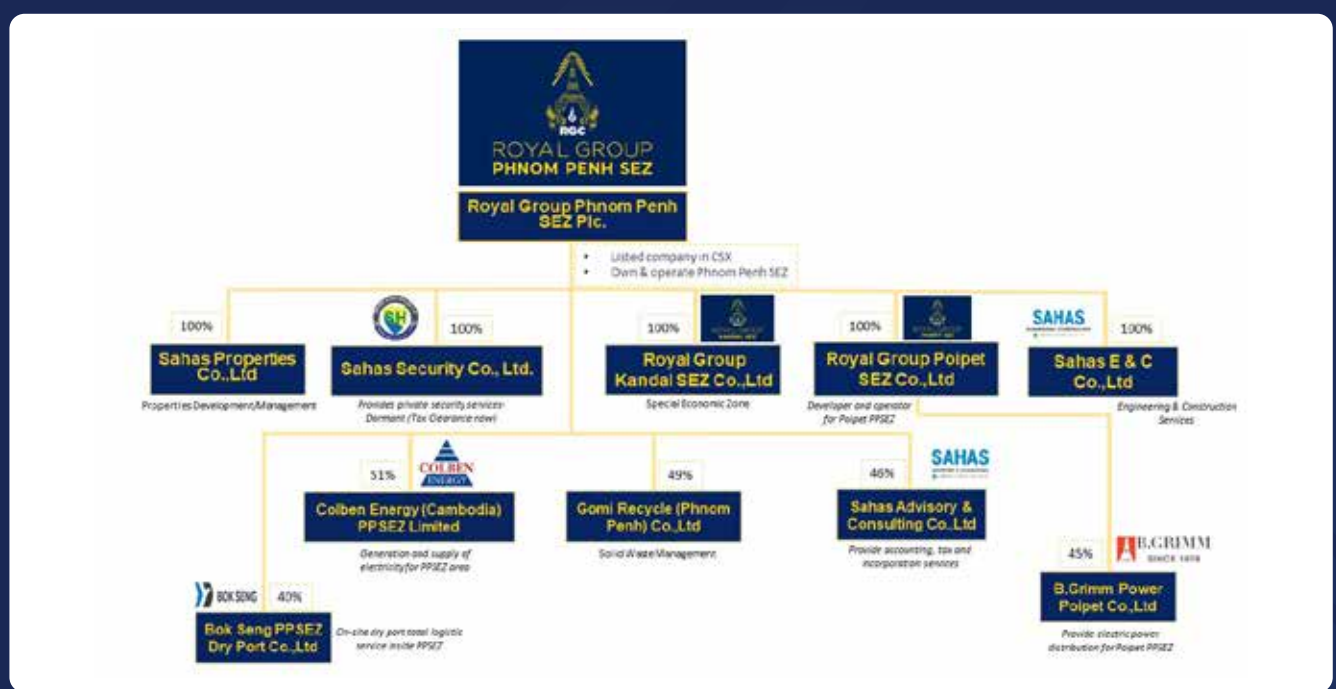
❖ ❖ ❖ 1.2.13 Expansion of other relevant services

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

Currently within Royal Group Phnom Penh Special Economic Zone, we have successfully installed an independent water supply system which consists of water reservoir cum water treatment system with the capacity to supply approximately 14,900 m3 of water per day moving forward to cater the anticipated increase in the number of diversified investors. This will mitigate any potential disruption of water supply to Royal Group Phnom Penh Special Economic Zone and ensure that investors in Royal Group Phnom Penh Special Economic Zone, particularly those that are involved in the food and beverage industry which requires a constant supply of water for their operations, do not face disruption in water supply. As at 31 December 2022, the water consumption of the independent water supply system is approximately 5,300 m3 per day, representing a utilization of 36%. Water consumption continue increasing from last year due to new operation of beverage companies inside the zone.

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

❖ ❖ ❖ 1.3 Subsidiary and Associated Companies



❖ ❖ ❖ 1.4 Key achievement & activities in the year of 2022

❖ ❖ ❖ 1.4.1 Neak Oknha Kith Meng, new Chairman of Royal Group Phnom Penh SEZ, invited a group of delegates to visit PPSEZ



In the morning of 18 February 2022, Neak Oknha Kith Meng, the new Chairman of Royal Group Phnom Penh SEZ, invited a group of delegates consisting of members of the Cambodia Chamber of Commerce, potential business partners and service providers to visit Royal Froup Phnom Penh Special Economic Zone. One main purpose of the visit was to show everyone how the zone is being operated, and to show the current development and achievement, as well as to create a chance to get to know each other for future possible collaboration between the zone developer and other related businesses.

Some special visits to investors' factories were also arranged. The delegates were amazed about the progress and achievement all the companies have made so far.

Neak Oknha expressed his sincere thanks to all the customers, and assured everyone that we will keep improving and making the zone an even more pleasurable place for investment with better facilities and services. And other services provided by the Royal Group of Companies will surely meet the needs and benefit all the investors in the zone.





1.4.2 Another Mile Stone in the Company's History with a New Zone Name



16 March 2022 marked another new mile stone in our company's history as our zone name was officially changed and acknowledged by the Council for the Development of Cambodia (CDC).

We are a proud member of the Royal Group of Companies under the leadership and guidance of Neak Oknha KITH MENG, and we are now proud to have "Royal Group" in our new zone names as well.

For Phnom Penh Special Economic Zone located in Phnom Penh, the new official name is "Royal Group Phnom Penh Special Economic Zone".

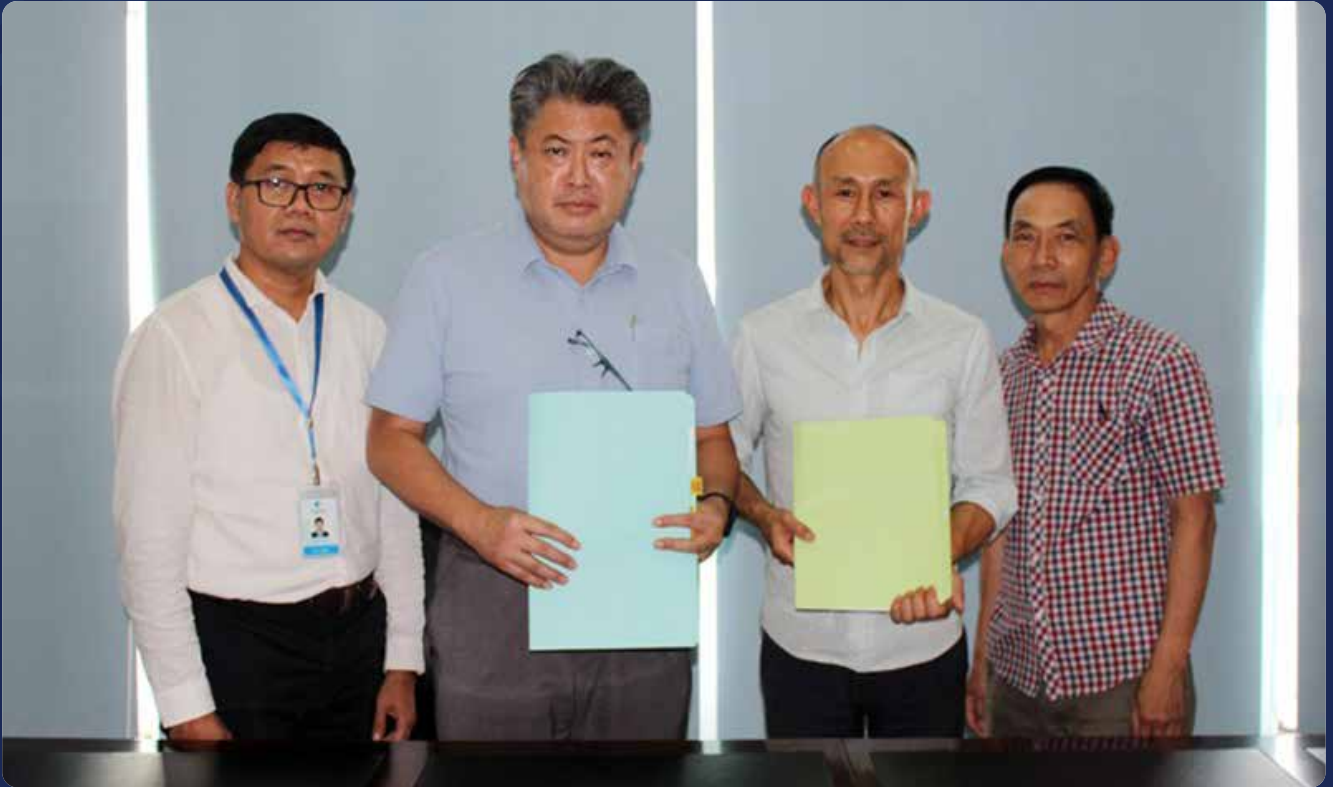
And for Poipet PP Special Economic Zone located in Poipet city, Banteaymeanchey Province, the new official name now is "Royal Group Poipet Special Economic Zone".

With this new branding, we will continue to make our utmost effort to ensure that all our customers are satisfied with the facilities and services that we provide on-site. This is a new beginning, and we will work closely with other members in our group to bring about new services and supports to our customers and benefit our customers to the best extent we can.





1.4.3 Royal Group Phnom Penh SEZ Welcomes LUUS KH CO., LTD



Phnom Penh, 15th March 2022, Royal Group Phnom Penh SEZ, a leading Special Economic Zone (SEZ) developer in Cambodia, has signed Factory Rental Agreement with LUUS KH CO., LTD. from Australia to strengthen business development and marketing activities.

Luus takes enormous pride in creating and manufacturing Australian-made commercial catering equipment. The versatile range is expertly engineered and locally built using the highest quality materials and components, setting Luus apart from the increasing number of inferior imports available on the market “In 1998, Luus Industries was created from engineer Don Luu’s passion to build, innovate and improve. Housed within our purpose-built facility in Melbourne’s West, we are proudly committed to the growth of manufacturing in Melbourne. Our agile approach to the entire design and manufacturing process allows us to build products tailored towards the Australian market.” said the director of Luus Industries, Mr. LUU Ve Don.

We are so proud and cheerful to have such a Leading Australian Manufacturer and Importer of Commercial Catering Equipment starting its services in our zone.





1.4.4 Exciting Announcement! Presenting Our New Logos



ROYAL GROUP PHNOM PENH SEZ

Royal Group Phnom Penh Special Economic Zone's new logo

28 April 2022 is another big milestone in our company's history. The 6th Annual General Shareholders Meeting (AGM) was conducted in Cambodiana Hotel, attended by 61 shareholders holding 89.24% of the total shares, and chaired by our new Chairman, Neak Oknha KITH MENG.

In this very event, the majority of shareholders voted for the change of our company name from "Phnom Penh SEZ Plc." to "Royal Group Phnom Penh SEZ Plc." And the company's new logo was also officially announced to the public and launched for the general use of the company.

As a member of the Royal Group of Companies, we are proud to have both the well-known name and the widely-recognized Crown symbol of the Royal Group in our new company name and logo.

For the first time to the general public, we are very excited to present our new logos of our projects in Phnom Penh and Poipet as below.



1.4.5 Royal Group Phnom Penh SEZ Held the 6th Annual General Shareholders' Meeting (AGM) 2022

On Thursday 28 April 2022, Phnom Penh SEZ Plc. (PPSP) held our 6th Annual General Shareholders' Meeting at Cambodiana Hotel from 9:00 – 11:30 AM, with the date of Recording on 08 April 2022. The meeting had a quorum was present:

- Total shareholders: 2,610 holding 71,875,000 shares for 100%
- Total of the participant: 61 holding 64,141,195 shares for 89.24%



The following directors were present at the meeting:

1. Neak Oknha Kith Meng, Non-Executive Chairman (Online)
2. Mr. UEMATSU Hiroshi, Executive Director/CEO
3. Mr. Otsubo Hiroshi, Non-Executive Director (Online)
4. Mr. Mark Hanna, Non-Executive Director
5. Mr. Arthur Law Hian Tat , Independent Director
6. Mr. Kang Wei Geih, Independent Director (Online)
7. Mr. Tanate Piriyothinkul, Non-Executive Director (Online)

Neak Oknha Kith Meng, Non-Executive Chairman mentioned that he would like to assure the shareholders that we are working closely with the management team of PPSP to integrate and expand on its existing business reach by leveraging and incorporating all the other business activities within the Royal Group of Companies to enable further synergistic effects and growth for the Company and also to contribute to society and the economy of the country.

Last but not least, the shareholders approved on the six resolutions at the AGM as the following:

1. To Approve Financial Statements of the Year Ended 31st December 2021
2. To Approve Re-election and Appointment of Company Directors for New Mandate
 - 2.1. Mr. UEMATSU HIROSHI Executive Director/ CEO 28th April 2022 to 28th April 2024
 - 2.2. Mr. TANATE PIRIYOTHINKUL Non-Executive Director
3. To Approve the Minutes of Annual General Shareholders' Meeting Year 2021
4. To Approve the External Auditor's Appointment (To Continue the Next Audit)
5. To Approve the Renewal of Authority for Shares Buyback
6. To Approve the SPECIAL RESOLUTION: The Change of Name of the Company from "Phnom Penh SEZ Plc." To "Royal Group Phnom Penh SEZ Plc."



To our shareholders, business associates, financiers, advisors and regulatory authorities, we thank everyone for their continued support, cooperation and guidance.



❖ ❖ ❖ 1.4.6 An Honorable Visit of Delegates from IMF to Royal Group Phnom Penh SEZ



On 17 May 2022, we had the greatest honor to welcome the visit of delegates from the International Monetary Fund (IMF) led by Mr. Okamura Kenji, Deputy Managing Director, to Royal Group Phnom Penh Special Economic Zone.

IMF is a global organization which works to achieve sustainable growth and prosperity for all of its member countries by supporting economic policies that promote financial stability and monetary cooperation, which are essential to increase productivity, job creation, and economic well-being.

A fruitful discussion between the IMF team and Mr. Uematsu Hiroshi, CEO; and Mr. Fong Nee Wai, CFO, was conducted about the opportunities and challenges that local and international investors in Cambodia may have. The group of delegates were also welcomed at two other facilities in the zone, namely the factory of Sumi Wiring Systems, and Cambodia Garment Training Institute (CGTI), the training center established by Garment Manufacturers Association in Cambodia or GMAC.

❖ ❖ ❖ 1.4.7 International Conference on Investment Opportunities in Northwestern Cambodia



On May 24-25, 2022, an international conference on Investment Opportunities in Northwestern Cambodia was conducted by the German Agency for International Cooperation (GIZ) in Siem Reap Province, Cambodia, and attended by around 210 participants from different industrial sectors and enterprises.

Royal Group Poipet SEZ had the great honor to be one of the speakers including the Council for the Development of Cambodia (CDC); Ministry of Industry, Science, Technology and Innovation (MISTI); and other local and international distinguished institutions.

After H.E. NEAK Nerun, Deputy Governor of Siem Reap province gave an opening and welcoming speech, H.E. CHEA Vuthy, Acting Secretary General of CDC emphasized the high potential opportunities for investment as well as actions to be taken after the COVID-19 pandemic in order to improve the business and investment environment. Meanwhile, H.E. SUON Sophal, Director of Cooperation and Private Investment Promotion of CDC also highlighted Cambodia's new investment law on facilitation, incentives, and investment aftercare (guarantee and protection).

Mr. UEMATSU Hiroshi, CEO of Royal Group Poipet SEZ, presented about overview of the zone and showed the products of our first investor to the participants. He also explained about investment opportunities in manufacturing in Cambodia, and the requirements of international companies and investors.

It was a very fruitful conference for the investment opportunities in Northwestern Cambodia, and we are confident that more and more investors both local and international will choose Siem Reap, Banteay Meanchey, and Battambang Province for their investment destinations in the near future.

❖ ❖ ❖ **1.4.8 SUMI (Cambodia) Wiring Systems Started Their Operation in Another New Rental Factory**



As a zone developer, we are proud to witness the constant growth, development, and expansion of Sumi (Cambodia) Wiring Systems, an investor from Japan, manufacturing wire harnesses for automobiles.

SUMI (Cambodia) Wiring Systems is a member of Sumitomo Wiring Systems group in Japan. This company started their first operation in Royal Group Phnom Penh SEZ in April 2012 and now employing 4700 Cambodian workers and staff. And at the beginning of July 2022, they officially started their operation in a new Built-to-Suit rental factory. This Built-to-Suit rental factory is the 3rd project that we built for Sumi (Cambodia) Wiring Systems. We are highly honored to be a part of this expansion process. And we will keep trying our best to support all of our investors in whatever way we can.



❖ ❖ ❖ 1.4.9 Japanese and Cambodian Business Connection Enforcing Trip in the Royal Group Phnom Penh SEZ



On 30 August 2022, the Royal Group Phnom Penh SEZ Plc. was highly honoured to welcome a visit of business delegates from Japan and to participate in the business matching event between Japanese and Cambodian entrepreneurs in the Royal Group Phnom Penh Special Economic Zone.

The visit was co-organized by Japan External Trade Organization (JETRO), the Cambodia Chamber of Commerce (CCC), and the Young Entrepreneurs Association of Cambodia (YEAC), and participated by many business people from various business backgrounds in Japan and Cambodia.

This was a remarkable event in which new opportunities for connections and cooperation between the two countries were created after the two-year-lasting pandemic situation. We were delighted to be a part of this trip agenda. And we look forward to more up-coming events.

❖ ❖ ❖ 1.4.10 Employment of Cambodian Workers Exceeding 40,000 in Royal Group Phnom Penh Special Economic Zone



Royal Group Phnom Penh SEZ Plc., the developer of Royal Group Phnom Penh Special Economic Zone, is delighted to announce its wonderful performance in terms of the steady increase in the number of workers employed in the whole zone by 102 companies.

Despite the pandemic period in which a lot of private companies got to suffer and lay off some of their employees, we are proud to witness the continuous increase of employment from 21,585 people in 2019, 26,444 people in 2020, 34,179 people in 2021, and 40,026 people as of August 2022. This is an 85.43% increase compared to the number of workers before the spread of COVID-19.

“Among the 40,026 workers, Garment and textile sector employs the most significant number of workers which is 41.91%, followed by electronics and electrical sector 23.69%, automobile parts sector 15.48%, and diamond polishing sector 6.45%,” said UEMATSU Hiroshi, Chief Executive Officer of Royal Group Phnom Penh SEZ PLC.

“The overall number of workers in Royal Group Phnom Penh Special Economic Zone keeps increasing even during the pandemic. This increase would not have been possible without the effective and strategic leadership of the Samdech Akka Moha Sena Padei Techo Hun Sen, Prime Minister of the Kingdom of Cambodia, to keep COVID-19 under control,” said Neak Oknha KITH Meng, the Chairman of Royal Group Phnom Penh SEZ PLC.

With political and social stability, plus continuous support from the Royal Government of Cambodia, a business-friendly environment for investors has been created, and we are committed to keep providing our best services to all investors, which will in turn create more job opportunities for Cambodian people. This is what we are proud of as a zone developer and what we call our biggest achievement.

❖ ❖ ❖ **1.4.11 Toyota Selected Royal Group Phnom Penh SEZ for the location of Assembly and Manufacturing Plant**



Royal Group Phnom Penh SEZ Plc. is pleased to announce that Toyota Tsusho Manufacturing (Cambodia) Co., Ltd., a newly established subsidiary of Toyota Tsusho Corporation from Japan, selected the Royal Group Phnom Penh Special Economic Zone as the location of Toyota Assembly and Manufacturing Plant.

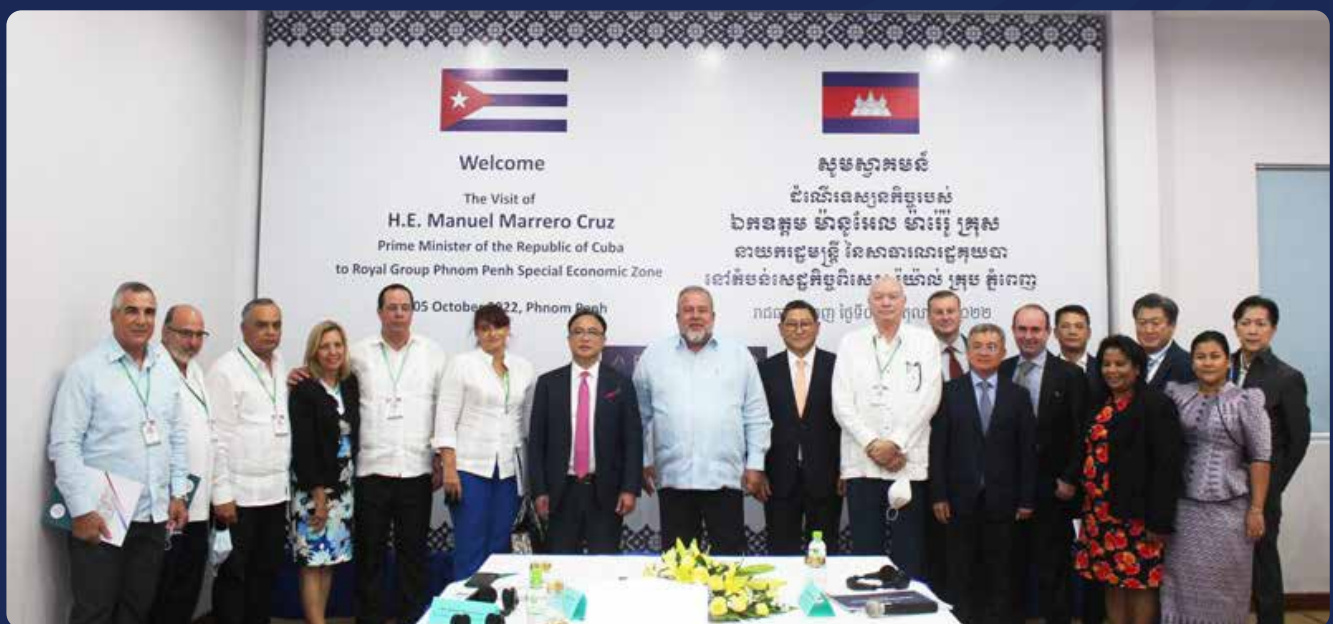


Mr. UEMATSU Hiroshi, CEO of Royal Group Phnom Penh SEZ Plc., said, “As the developer of the Royal Group Phnom Penh SEZ, we are very honored and proud to be a part of this beginning and development process. This project becomes a truly historical addition to the existing 102 investors accommodated in the zone.”

Under the strong leadership of Samdech Akka Moha Sena Padei Techo HUN SEN, Prime Minister of the Kingdom of Cambodia, Cambodia attained peace and economic development over the past 3 decades. Furthermore, new attractive Investment Law came into force in October, 2021. These continuous efforts of the Royal Government of Cambodia brought this Toyota manufacturing plant.

Neak Oknha KITH Meng, Chairman of Royal Group Phnom Penh SEZ Plc., expressed his whole-hearted and warm welcome to Toyota Tsusho Manufacturing (Cambodia) Co., Ltd. and strongly committed to the best-ever support to the project.

❁ ❁ ❁ 1.4.12 Prime Minister of the Republic of Cuba pays official visit to Royal Group Phnom Penh Special Economic Zone



On 5 October 2022, we had the greatest honor to welcome H.E. Mr. Manuel Marrero Cruz, Prime Minister of the Republic of Cuba and a group of delegates to Royal Group Phnom Penh Special Economic Zone.

Cambodia and Cuba have been in a long standing and friendly relationship. The visit of H.E. Mr. Manuel Marrero Cruz in Cambodia happened just two weeks after the visit of Samdech Akka Moha Sena Padei Techo Hun Sen, Prime Minister of the Kingdom of Cambodia to the Republic of Cuba. The mutual visits of the two Prime Ministers will surely strengthen and broaden the relationship of the two countries in various sectors.

As the developer of Royal Group Phnom Penh Special Economic Zone, we are extremely proud and honored to be chosen as one of the agenda in the 3-day official visit of the Prime Minister in Cambodia. Neak Oknha Kith Meng, Chairman of Royal Group Phnom Penh SEZ Plc. as well as Chairman of Cambodia Chamber of Commerce expressed his heartfelt welcome to the Prime Minister of Cuba and promised to try his best to support any business cooperation and collaboration between two countries.

H.E. Sok Chenda Sophea, Minister Attached to the Prime Minister, Secretary General of Council for the Development of Cambodia, along with other representatives from Cambodian government institutions were also present to welcome the visit of the Prime Minister.

Introduction session and Q&A session were actively conducted throughout the meeting regarding the investment law, operation of the Council for the Development of Cambodia, Royal Group Phnom Penh Special Economic Zone, and the production of Minebea (Cambodia) Co., Ltd, a giant electronic and electrical company from Japan. The visit concluded with a tour in the factory of Minebea.

It was a memorable 1-hour visit to note in our company's history. This will energize us to try harder and to move further to contribute more to the economic development of the country.

❖ ❖ ❖ 1.4.13 Royal Group Phnom Penh SEZ Plc. joined the Cambodia Stock Market Exhibition “My First STOCK 2022”



Royal Group Phnom Penh SEZ Plc. joined the event of My First Stock 2022 that was organized by Cambodia Stock Exchange (CSX) for three days from October 20 to 23, 2022. These activities of CSX “My First STOCK” 2022 was held at Aeon Mall Phnom Penh (Aeon 1) which started from 10:00 AM until 8:30 p.m. and could reach around 2,000 New Investors who would get free of charge for opening a stock trading account.

The “My First STOCK 2022” were presided by H.E. Dr. HEAN Sahib, Secretary of State of the Ministry of Economy and Finance and Chairman of the CSX, H.E Mr. SOU Socheat, Delegate of the Royal Government in charge as Director General of the SERC, and H.E. Mr. HONG Sok Hour, Royal Government Delegate in Charge as Chief Executive Officer of the CSX, Mr. UEMATSU Hiroshi, Chief Executive Officer of Royal Group Phnom Penh SEZ Plc., was also present for the occasion.

The event drew many listed companies as well as SERC, CSX, Cash Settlement Agent related to securities, Securities Firm, and Issuers that are licensed, Approved or accredited by the SERC, by having free entrance to booths visiting and video displays. There were also Q&A, presentations, opening of trading accounts at the site, entertainment, playing games, lucky draw, and the Cambodia Idols performances.

In conclusion, the 5th Cambodia Stock Market Exhibition “My First STOCK 2022” was conducted successfully with the collaboration of the many stakeholders as this was a special 10th years anniversary. The participants could get an investor identity and open a free stock trading account, 50% commission discount until the end of the year (for new investors), opportunity to learn to invest in stocks, and many more prizes.



1.4.14 Royal Group Phnom Penh SEZ Winning the Real Estates Award of the ASEAN Business Award 2022



We are pleased and honored to be named the winner of the ASEAN Business Award 2022 (ABA) in the category of the Priority Sector Awards in conjunction with the ASEAN Business and Investment Summit 2022 on 9 November 2022 at the Sofitel Phnom Penh Phookethra.

The award ceremony was presided over by H.E. Pan Sorasak, Minister of Commerce of The Kingdom of Cambodia and Chair of the ASEAN Economic Ministers Meeting, Neak Oknha Kith Meng, Chairman, ASEAN Business Advisory Council 2022 and distinguish guests in the private and public sectors.

Mr. Fong Nee Wai, the Chief Financial Officer of PPSP received the award on behalf of the company at the event. PPSP won the award among other factors, due to the company’s contribution to the Cambodian Society by providing job opportunities, infrastructure, and improving the living standards etc. to the Cambodian people.

The ASEAN Business Awards (ABA) is a prestigious international-level event held annually by the ASEAN Business Advisory Council (ASEAN BAC) since 2007. With 15 years of implementation, the ABA event has brought opportunities for businesses to reaffirm their position and prestige among industrial peers, advance their competitiveness and integration, and enhance the brand throughout the ASEAN region and on a global level.





1.4.15 Official Grand Opening Ceremony of a Giant Carton Box Manufacturing Factory



As the developer of Royal Group Phnom Penh Special Economic Zone, we would like to express our heartfelt congratulations to OJI Packaging (Cambodia) Co., Ltd., a giant Carton Box manufacturing factory in the zone, on the very joyous and memorable Grand Opening Ceremony of the factory on 14 November 2022.

The ceremony was conducted under the presidency of H.E. Lt. Gen. Hun Manet, Deputy Commander-in-Chief of the Royal Cambodian Armed Forces, Commander of the Royal Cambodian Army, and attended by hundreds of related government officials, business partners, and the company's employees.

This new carton box manufacturing facility in our zone is the 3rd one operating after the OJI Group started their first investment in Cambodia 18 years ago with their 1st facility along national road 4 in Phnom Penh and the 2nd one in Sihanouk Ville.

Thanks to the effective COVID-19 control and vaccination management of the Royal Government of Cambodia under the far-sighted leadership of Samdech Akka Moha Sena Padei Techo HUN SEN, Prime Minister of the Kingdom of Cambodia, we could witness this auspicious Grand Opening Ceremony today. And we wish for the prosperity and growth of OJI Packaging (Cambodia) Co., Ltd. for years to come.





1.4.16 Minebea Cambodia's 10+1 Anniversary Ceremony Presided over by Samdech Techo Prime Minister



In the morning of 1 December 2022, we were highly honored and proud to witness the 10+1 Anniversary Ceremony of Minebea (Cambodia) Co., Ltd., a giant electronics manufacturer in the Royal Group Phnom Penh Special Economic Zone.

This auspicious ceremony became even more auspicious under the honorable presidency of Samdech Akka Moha Sena Padei Techo HUN SEN, Prime Minister of the Kingdom of Cambodia, as well as many other high ranking government officials, business partners, local authorities, and thousands of employees.

Being the subsidiary company of MinebeaMitsumi Inc. from Japan, Minebea (Cambodia) Co., Ltd. was one of the first companies to start their investment in our zone. It always amazes us to recall the start and constant expansion of the company from a testing small-sized rental factory to the current 3 factories in the premises of 20 ha of land, with investment amount of more than USD 600 million, employing around 6,600 Cambodian workers.

Today's anniversary ceremony was made possible because of all the hard work and efforts of the company and the biggest support from the Royal Government of Cambodia under the far-sighted leadership of Samdech Akka Moha Sena Padei Techo HUN SEN, Prime Minister of the Kingdom of Cambodia, who brought peace and economic development to the country, and who effectively manage to keep COVID-19 situation under control.

As the developer of Royal Group Phnom Penh Special Economic Zone, we are very delighted to witness this development and excited to celebrate this milestone event of Minebea (Cambodia) Co., Ltd. We wish the company prosperity and growth for the years to come. We will keep trying our best to provide our most heartfelt supports to all our customers and we look forward to seeing similar success stories.





1.4.17 Official Opening Ceremony of SUMI for the Third Manufacturing Factory



In the morning of 1 December 2022, we were highly honored and proud to witness the 10+1 Anniversary Ceremony of Minebea (Cambodia) Co., Ltd., a giant electronics manufacturer in the Royal Group Phnom Penh Special Economic Zone.

This auspicious ceremony became even more auspicious under the honorable presidency of Samdech Akka Moha Sena Padei Techo HUN SEN, Prime Minister of the Kingdom of Cambodia, as well as many other high ranking government officials, business partners, local authorities, and thousands of employees.

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As the developer of Royal Group Phnom Penh Special Economic Zone, we are very delighted to witness this development and excited to celebrate this milestone event of Minebea (Cambodia) Co., Ltd. We wish the company prosperity and growth for the years to come. We will keep trying our best to provide our most heartfelt supports to all our customers and we look forward to seeing similar success stories.



1.5 Market Situation

As of 31 December 2022, our company has secured a total of ninety-three (93) zone investors/tenants in Royal Group Phnom Penh Special Economic Zone from countries such as Japan, Singapore, Malaysia, Taiwan, Korea, Philippines, China, Vietnam, Turkey, USA, Cambodia and Thailand. We mainly target zone investors that are involved in the light to medium and more labor intensive industries and have thus far, attracted investors from the following industries:

- Mechanical and electrical products destined for both the export and the local market;
 - Garment, shoes, apparel and fashion industries;
 - Food processing and agricultural industries for regional and local markets;
 - Consumer products (pharmaceutical, packaging, etc.);
 - Automobile parts;
 - Assembly of pre-produced parts to final product for regional and local markets; and
 - Logistic companies.
- Based on the most updated information from The Council for the Development of Cambodia ('CDC'), Phnom Penh SEZ hold the 2nd largest number of Projects among the SEZs with 92 Projects but has drawn the highest investment capital of 562,689,666 USD.

SEZ Name	Province	Est. Year	Area (Ha)	Number of Projects
Sihanoukville SEZ	Sihanoukville	2008	1.113	109
Royal Group Phnom Penh Special Economic Zone	Phnom Penh	2006	357	92
Manhattan Svay Rieng SEZ	Svay Rieng	2006	157	31
Tai Seng Bavet SEZ	Svay Rieng	2007	99	27
Sanco Poi Pet SEZ	Banteay Meanchey	2013	66.5	10
Poi Pet Ou Neang SEZ	Banteay Meanchey	2006	467	5
Neang Kok Koh Kong SEZ	Koh Kong	2007	335	5
Dragon King Bavet SEZ	Svay Rieng	2012	106.5	4
Sihanoukville Port SEZ	Sihanoukville	2009	70	3
Sihanoukville SEZ #1	Sihanoukville	2006	178	3
Shandong Sunshell SEZ	Svay Reing	2013	96	2
Goldfame Paksun SEZ	Kandal	2007	80	2
Hi-Park SEZ	Svay Rieng	2013	263.13	2
H.K.T. SEZ	Sihanoukville	2012	345	1
Kerry Worldbridge SEZ	Phnom Penh	2015	63	1
Qi Lu (Jian Pu Zhai) SEZ	Svay Rieng	2017	179.12	1
Suvannaphum SEZ	Kandal	2014	200	1

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



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

1.5.1 Expansion of other relevant services

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

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

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

1.6 Competitive Advantage

The primary elements for our competitive advantage are as follows:

1.6.1 Strategic location of Royal Group Phnom Penh Special Economic Zone

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

Royal Group Poipet Special Economic Zone is a new Special Economic Zone (SEZ), developed and operated under Poi Pet PPSEZ Co., Ltd., a wholly-owned subsidiary of Phnom Penh SEZ Plc. It is located in Banteay Meanchey Province, Northwestern Cambodia neighboring the Cambodia-Thai Border. It is approximately 8 Km East of the Poipet city center, with access to one of the key border crossing point with Thailand in the northwest of Cambodia. Its aforesaid strategic location is attractive to prospective investors who are looking for starting new manufacturer, warehouse, or distribution center. It is actually 250 km away from the deep sea port at Laem Chabang, Thailand.



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

1.6.2 Established relationship with customers

Currently, we have been involved in the development and management of SEZ for over eleven (11) years. As of 31 December 2022, PPSEZ has Ninety-two (104) zone investors (in respect of SEZs, customers are also known as zone investors as they set up their operations within the SEZs) that have already set-up or in the process of setting up manufacturing/assembling plants in PPSEZ. Furthermore, As of 31 December 2022, PPSEZ is one of the leading SEZs in terms of invested capital and number of tenants among all the thirty-six (36) approved SEZs in Cambodia.

In addition, through our Japanese shareholder and the wide business network of the management of PPSP, as of 31 December 2022, our company has successfully attracted forty-seven (45) Japanese companies invested in Royal Group Phnom Penh Special Economic Zone which makes Royal Group Phnom Penh Special Economic Zone to have the largest Japanese investors based among all the SEZs in Cambodia.

1.6.2 Our experienced board of directors /management team

Our company is led by a team of experienced board of directors /management team. Our newly appointed Chairman Mr Tan Kak Khun is the son of our previous Chairman. Mr. Tan Kak Khun has been a director of the company since 2016. On the other hand, our CEO, Mr. Hiroshi Uematsu has been involved in business administration and engineering related industries for over twenty (20) years.

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

1.6.4 Our value added services

In addition to the development and management of Royal Group Phnom Penh Special Economic Zone, our Group also able to provide value added services including:

- In-house security services provided by our wholly-owned subsidiary, namely Sahas PPSEZ;
- In-house construction services, provided by Sahas E&C Co.,Ltd, our subsidiary;
- Stable backup power supply from an independent power plant located in Royal Group Phnom Penh Special Economic Zone that is operated by Colben PPSEZ, an associate company;
- Dry port facilities inside Royal Group Phnom Penh Special Economic Zone which is operated by Bok Seng PPSEZ, an associate company; and
- Other infrastructures such as independent water purification and sewage treatment plant, comprehensive telecommunication network, sufficient warehouse rental space, dormitory rental service and other services catering the diverse needs of the tenants of Royal Group Phnom Penh Special Economic Zone.
- Penh SEZ hold the 2nd largest number of Projects among the SEZs with 92 Projects but has drawn the highest investment capital of 562,689,666 USD.

1.7 Future Business Plan

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



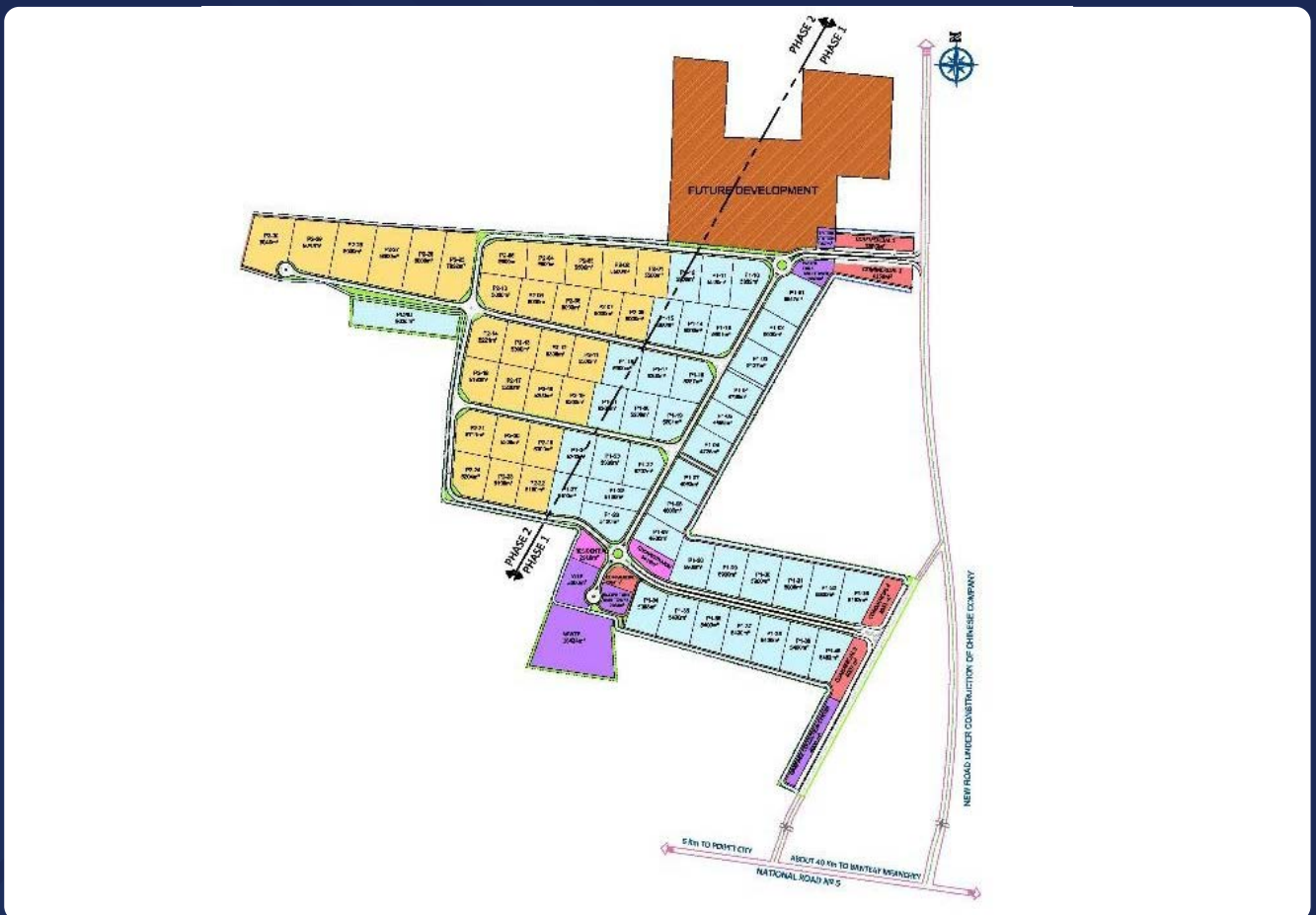
1.7.1 Commencement of major infrastructure and facilities works for Royal Group Poipet Special Economic Zone

Since 2014, we start developing new SEZ in Banteay Meanchey Province of Cambodia under the name “Royal Group Poipet Special Economic Zone (was renamed on 16 March 2022)”, which has been operated by our wholly-owned subsidiary, Poi Pet PPSEZ Co.,Ltd.

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

The Royal Group Poipet Special Economic Zone is strategically located with access to the National Road No. 5 which will constitute part of the Asian Highway 1 that provides convenient accessibility and facilitates the distribution of goods to Cambodia and also the inner parts of Thailand and other Asian countries. It is also located approximately 250km away from the Laem Chabang Port, one of the main deep-sea ports located in the eastern part of Thailand. The preliminary concept for Royal Group Poipet Special Economic Zone is to develop it into a SEZ that caters to the potential light industries investors whom would like to make Cambodia as its alternative manufacturing hub to Thailand. Currently, we are in the process of preparing the necessary documentation to obtain approval for Royal Group Poipet Special Economic Zone from the relevant Cambodian authorities for the SEZ designation.

At this juncture, we are developing the Royal Group Poipet Special Economic Zone in two (2) phases, Phase I and Phase II. The development map is as shown below



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

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

1.8 Risk Factors and Mitigation Plans

1.8.1 Interest Rate Risks

Analysis

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

As at 31 December 2022, our company has outstanding bank borrowings amounting to 48,757,262,333 KHR as detailed in the table below:

Bank	Borrower	Outstanding debts as at		Interest rate per annum	Purpose of utilization
		31 December 2022	Loan type		
		KHR		%	
Kasikorn BANK (USD)	PPSP	8,229,060	Fixed loan	7.00	Rental factory of Sumitronic
Kasikorn BANK (USD)	Sahas Properties	1,746,158	Fixed loan	6.50	Rental factory
Kasikorn BANK (USD)	Sahas Properties	23,812,728	Fixed loan	6.19	Rental factory
Kasikorn BANK (KHR)	Sahas Properties	6,386,664	Fixed loan	6.65	Refinance PPCB for PPSP
FCB Bank (USD)	PPSP	2,070,388	Semi-float loan	'FCB Prime Rate(LUSPR) +0.34% ≥ 6.8%	Develop at phase III
FCB Bank (USD)	PPSP	4,536,953	Semi-float loan	FCB Prime Rate(LUSPR) +0.04% ≥ 6.8%	Refinance ICBC
FCB Bank (USD)	PPSP	3,518,727	Semi-float loan	'FCB Prime Rate(LUSPR) +0.09% ≥ 6.85%	Develop at phase III
FCB Bank (USD)	PPSP	5,649,332	Semi-float loan	FCB Prime Rate(LUSPR) +0.09% ≥ 6.85%	Buy land PPSEZ II
FCB Bank (KHR)	PPSP	7,580,377	Semi-float loan	FCB Time deposit one year rate LKHFD+2.4% ≥ 6.9%	Loan restructuring

FCB Bank (USD)	POIPET	2,778,228	Semi-float loan	6months libor+3.3%≥6.8%	Business operation
FCB Bank (KHR)	Sahas Properties	4,885,069	Semi-float loan	12months libor+1.9%≥7%	Business operation
ABA Bank(USD)	PPSP	2,964,665	Semi-float loan	7.50	Refinance CIMB/ FCB / support PPSEZ II
ABA Bank (KHR)	PPSP	1,923,077	Fixed loan	7.50	Refinance CIMB/ FCB / support PPSEZ II
Total		76,081,426			

Remark: LIBOR = the London Inter-bank Offered Rate, (assume the exchange around 4117 KHR / USD)

In year 2021, we successfully managed our average interest rate to about 8% per annum. Due to increasing amount of interest-bearing debt, we would still be subject to interest rate risk in the event of revision of interest rate for current outstanding borrowings if our company does not fully comply with the term and conditions of the loans, particularly in the event of overdue, overdraft, non-performance loans or other events as specified in the respective loan agreements. In addition, our company will also be subject to interest rate risk if future borrowings to be undertaken by carrying floating interest rates. As such, any increase in interest rate could result in our company incurring higher interest expense which could have an adverse impact on the financial performance and liquidity of our company. Any increase in interest rates or interest rate volatility in the future could also adversely affect our company's ability to borrow and/or repay additional debt in the future.

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

Management View and Risk Mitigation

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





Chapter 2: Business Operation Results

2.1 Business Operation Results & News

In year 2022, our business operation still increases rapidly. Total revenue was supported by an increase from Rental Income. In addition, we successfully increased our Rental Income to 14,076,838 KHR'000, compared the Rental Income 86,197,430 KHR'000 in year 2021.

2.2 Revenue Structure

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

2.2.1 Our value added services

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

2.2.2 Services rendered

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

2.2.3 Construction Revenue

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

2.2.4 Rental income

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

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

No.		2022		2021		2020	
		Amount	%	Amount	%	Amount	%
1	Sales of Land	46,240,073	43.09%	86,197,430	75.50%	33,898,123	50.24%
2	Service Rendered	13,939,114	12.99%	11,589,500	10.15%	15,469,387	22.93%
3	Construction Revenue	33,062,571	30.81%	7,876,844	6.90%	10,165,889	15.07%
4	Rental Income	14,076,838	13.12%	8,505,793	7.45%	7,943,802	11.77%
	Total	107,318,596	100.0%	114,169,567	100.0%	67,477,201	100.00%

(Unit: KHR'000)

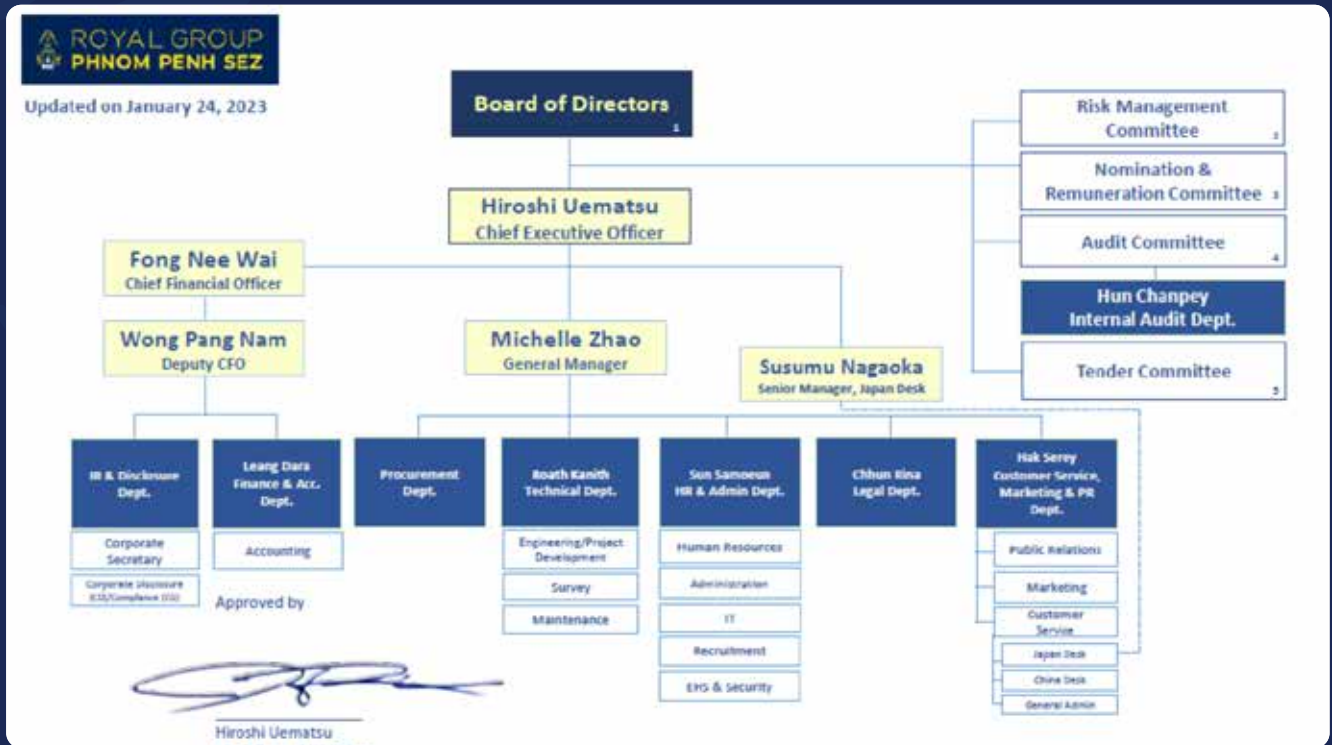




Chapter 3: Corporate Governance

3.1 Organization Chart

The corporate organization is displayed as set forth below (As of December 31, 2022);



❖ ❖ ❖ 3.2 Board of Directors and Committees

A. Board of Directors

A.1 Composition of the Board of Directors

No.	Name	Position	Appointment Date	End Date
I.	Neak Oknha Kith Meng	Non-Executive Chairman	January 26, 2022	January 25, 2024
II.	Mr. UEMATSU Hiroshi	Executive Director/CEO	April 28, 2022	April 28, 2024
III.	Mr. OTSUBO Hiroshi	Non-Executive Director	May 17, 2021	May 16, 2023
IV.	Mr. Mark Hanna	Non-Executive Director	January 26, 2022	January 25, 2024
V.	Ms. Hep Seka	Independent Director	August 10, 2022	August 10, 2024
VI.	Mr. Kang Wei Geih	Independent Director	May 17, 2021	May 16, 2023
VII.	Dr. Eakapong Tungsrisinguan	Non-Executive Director	August 10, 2022	August 10, 2024





3.3 Management Team

A. Composition

No.	Name	Position
I.	Mr. Hiroshi Uematsu	Chief Executive Officer
II.	Mr. Fong Nee Wai	Chief Financial Officer
III.	Mr. Wong Pang Nam	Deputy Chief Financial Officer
IV.	Ms. Zhao Mingqian	General Manager for Operation
V.	Mr. Susumu Nagaoka	Senior Manager
VI.	Mr. Sun Samoeun	Senior Human Resources Manager
VII.	Ms. Hun Chanpey	Senior Manager – Finance & Accounting
VIII.	Mr. Leang Dara	Head of Internal Audit
IX.	Ms. Vith Boravy	Corporate Secretary

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

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





Chapter 4: Trading Information

4.1 Information on Equity

Type of Equity: Common Stock

Securities Code: KH 1000050000

Class of Securities: Common stock with voting right

Par Value: 2,000 KHR

Market Price: 2,180 KHR

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

Market Capitalization: 185,437,500,000 KHR

Listed Exchange: Cambodia Securities Exchange (CSX)

Listing Date: 30 May 2016

❖ ❖ ❖ 4.2 Price & Trade Volume

Stock Ownership		January 2022	February 2022	March 2022	April 2022	May 2022	June 2022
Trading Price(KHR)	Max	2,140	2,570	2,480	2,520	2,500	2,500
	Average	2,090	2,305	2,370	2,390	2,460	2,460
	Low	2,040	2,040	2,260	2,260	2,420	2,420
Trade Volume (No. of Share)	Max	81,140	429,691	117,530	189,813	92,474	92,474
	Average	40,973	215,370	64,261	99,981	46,561	46,561
	Low	806	1,048	10,991	10,148	648	648

Stock Ownership		July 2022	August 2022	September 2022	October 2022	November 2022	December 2022
Trading Price(KHR)	Max	2,450	2,400	2,590	2,350	2,440	2,390
	Average	2,405	2,360	2,455	2,320	2,720	2,360
	Low	2,360	2,320	2,320	2,290	3,000	2,330
Trade Volume (No. of Share)	Max	20,075	13,736	26,973	10,771	72,472	36,598
	Average	10,471	7,223	13,526	5,719	36,619	18,744
	Low	866	710	78	666	766	890



❖ ❖ ❖ 4.3 Controlling Shareholders

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

(As of December 31, 2021)

❖ ❖ ❖ 4.4 Substantial Shareholders

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

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

Details of dividend distribution	Year 2021	Year 2020	Year 2019
Net profit	7,796,911,000 KHR	4,315,782,000 KHR	N/A
Total cash dividend	3,171,586,647 KHR	1,629,600,000 KHR	N/A
Total share dividend	N/A	N/A	N/A
Other dividend	N/A	N/A	N/A
Dividend payout ratio (%)	40%	37.5%	N/A
Dividend yield (%)	1.84	1.10	N/A
Dividend per share	44.126 KHR	22.67 KHR	N/A

*Before restatement



Chapter 5: Annual Internal Audit Report 2021

5.1 Introduction

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

❖ ❖ ❖ 5.2 Audit Objective and Scope

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

The scope of the Internal Audit performed on Group financial information and operations are:

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

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

The purpose of drawing up the annual internal audit report is to inform the management board and the audit committee:

- On the work of the Department and the implementation of the planned internal audit activities in the reporting period;
- On the summary of significant findings of internal audit in the reporting period including the assessment of the appropriateness and effectiveness of risk management and functioning of the internal control system of the audited area;
- On the content and findings from the quality assurance and improvement program of the Department Operation.

❖ ❖ ❖ 5.3. Overview of the Work of the Internal Audit Department

In 2021, the Internal Audit Department performed its activities based on the adopted plans for the Department operations even under the difficult scenario of Covid-19 pandemic but we managed to complete the review as per the annual internal audit work plan for the year 2021 adopted by the Audit Committee on 5 Nov 2020. Regular audit progress reports were submitted to the Audit Committee during the year 2021 as below



No	Company/ Department	Number of IA reports	Number of issues finding	Implementation	Outstanding issues
1	Phnom Penh SEZ PLC				
	i. Accounting and Finance Department	4	17	11	6
	ii. Human Recourse and Admin Department	2	8	3	5
	iii. Operation and Project Department	2	5	1	4
2	Sahas Security Co., Ltd	1	3	3	0
3	Poi Pet PPSEZ Co.,Ltd	2	8	5	3
4	Sahas E&C Co.,Ltd	2	8	3	5
5	Phnom Penh SEZ II Co., Ltd	2	4	2	2
6	Sahas Property Co., Ltd	2	2	1	1
7	Sahas A&C Co., Ltd	1	2	1	1
Total		18	57	30	27

❄️ ❄️ ❄️ 5.4 Conclusion

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

- Financial governance and management
- Operational services and functional management
- Strategic planning, performance management and reporting
- Capital and estate management.
- Corporate governance, risk management and regulatory compliance
- Response to Covid-19 pandemic

Audit Committee Chairman



Mr. Kang Wei Geih

Date: 7 Mar 2022

Head of Internal Audit



Mr. Leang Dara

Date: 7 Mar 2022





Chapter 6: Audited Financial Statements



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

DIRECTORS' REPORT
AND
AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Company No. 00006448

PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

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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 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Company are to establish, develop and operate the Special Economic Zone in Phnom Penh and to engage in other related commercial activities. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

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

RESULTS

	Group	
	USD	KHR'000
Profit for the financial year, attributable to:		
Owners of the Company	2,093,141	8,554,667
Non-controlling interests	10,229	41,806
	<u>2,103,370</u>	<u>8,596,473</u>
	Company	
	USD	KHR'000
Profit for the financial year	<u>416,431</u>	<u>1,701,953</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 there were no known bad debts and no allowance for doubtful debts was required.

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.



Company No. 00006448

PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

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.

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.

Company No. 00006448

PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

DIRECTORS' REPORT (CONTINUED)

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:

Neak Oknha Kith Meng	(Appointed on 26 January 2022)
Mr. Uematsu Hiroshi	
Mr. William Mark Hanna	(Appointed on 26 January 2022)
Mr. Otsubo Hiroshi	
Mr.Kang Wei Geih	
Dr. Eakapong Tungsrisanguan	(Appointed on 10 August 2022)
Ms. Hep Seka	(Appointed on 10 August 2022)
Mr. Tanate Piriyothinkul	(Resigned on 10 August 2022)
Mr. Arthur Law Hian Tat	(Resigned on 10 August 2022)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Group and 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 28 to the financial statements.

Neither during, nor at the end of the financial year, was the Group and 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 Group the Company or any other body corporate.

Company No. 00006448

PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

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 33 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 Group and 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 2022, and their financial performance and their cash flows for the financial year then ended. In preparing these financial statements, the directors of the Group and 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.
(Incorporated in Cambodia)

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 2022 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: 28 March 2023

12/03/23

PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

**STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2022**

	Note	Group			
		2022		2021	
		USD	KHR'000	USD	KHR'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	17,686,840	72,816,721	17,651,996	71,914,231
Investment properties	6	16,635,088	68,486,657	10,437,603	42,522,794
Investment in subsidiaries	7	-	-	-	-
Investment in associates	8	12,809,568	52,736,991	12,697,262	51,728,646
Investment in joint venture	13	70,900	291,895	-	-
Total non-current assets		47,202,396	194,332,264	40,786,861	166,165,671
Current assets					
Inventories	9	41,006,441	168,823,518	36,569,137	148,982,664
Trade and other receivables	10	21,216,159	87,346,926	21,550,960	87,798,613
Contract assets	12	959,170	3,948,903		
Cash and cash equivalents	11	4,276,289	17,605,482	5,716,017	23,287,054
Total current assets		67,458,059	277,724,829	63,836,114	260,068,331
TOTAL ASSETS		114,660,455	472,057,093	104,622,975	426,234,002
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	14	35,937,500	147,954,688	35,937,500	146,409,375
Share premium	15	4,575,051	18,835,485	4,575,051	18,638,758
Retained earnings		21,377,107	88,009,549	20,368,679	82,981,998
		61,889,658	254,799,722	60,881,230	248,030,131
Non-controlling interests		(8,873)	(36,530)	(6,666)	(27,157)
TOTAL EQUITY		61,880,785	254,763,192	60,874,564	248,002,974
Non-current liabilities					
Loans and borrowings	16	13,528,836	55,698,218	13,481,714	54,924,503
Contract liabilities	12	7,672,000	31,585,624	8,220,000	33,488,280
Total non-current liabilities		21,200,836	87,283,842	21,701,714	88,412,783
Current liabilities					
Loans and borrowings	16	4,952,092	20,387,763	3,371,527	13,735,601
Current tax liabilities		159,704	657,505	16,279	66,321
Trade and other payables	18	25,919,038	106,708,675	18,286,103	74,497,585
Contract liabilities	12	548,000	2,256,116	372,788	1,518,738
Total current liabilities		31,578,834	130,010,059	22,046,697	89,818,245
TOTAL LIABILITIES		52,779,670	217,293,901	43,748,411	178,231,028
TOTAL EQUITY AND LIABILITIES		114,660,455	472,057,093	104,622,975	426,234,002

PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

**STATEMENTS OF FINANCIAL POSITION
AT 31 DECEMBER 2022 (CONTINUED)**

	Note	Company			
		2022		2021	
		USD	KHR'000	USD	KHR'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	13,910,630	57,270,064	14,722,133	59,977,970
Investment properties	6	7,343,263	30,232,214	7,731,228	31,497,023
Investment in subsidiaries	7	39,783,104	163,787,039	39,983,104	162,891,166
Investment in associates	8	11,770,321	48,458,412	11,572,712	47,147,229
Investment in joint venture	13	70,900	291,895	-	-
Total non-current assets		72,878,218	300,039,624	74,009,177	301,513,388
Current assets					
Inventories	9	12,948,312	53,308,201	12,107,985	49,327,931
Trade and other receivables	10	7,685,942	31,643,023	8,538,465	34,785,706
Cash and cash equivalents	11	523,108	2,153,636	682,473	2,780,395
Total current assets		21,157,362	87,104,860	21,328,923	86,894,032
TOTAL ASSETS		94,035,580	387,144,484	95,338,100	388,407,420
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	14	35,937,500	147,954,688	35,937,500	146,409,375
Share premium	15	4,575,051	18,835,485	4,575,051	18,638,758
Retained earnings		20,633,456	84,947,938	21,386,718	87,129,489
TOTAL EQUITY		61,146,007	251,738,111	61,899,269	252,177,622
Non-current liabilities					
Loans and borrowings	16	5,595,463	23,036,521	9,427,605	38,408,063
Contract liabilities	12	7,672,000	31,585,624	8,220,000	33,488,280
Total non-current liabilities		13,267,463	54,622,145	17,647,605	71,896,343
Current liabilities					
Loans and borrowings	16	3,264,662	13,440,613	2,538,907	10,343,507
Current tax liabilities		30,869	127,088	-	-
Trade and other payables	18	15,778,579	64,960,411	12,704,319	51,757,396
Contract liabilities	12	548,000	2,256,116	548,000	2,232,552
Total current liabilities		19,622,110	80,784,228	15,791,226	64,333,455
TOTAL LIABILITIES		32,889,573	135,406,373	33,438,831	136,229,798
TOTAL EQUITY AND LIABILITIES		94,035,580	387,144,484	95,338,100	388,407,420

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 2022**

	Note	Group			
		2022		2021	
		USD	KHR'000	USD	KHR'000
Revenue	19	26,258,526	107,318,596	28,065,282	114,169,567
Cost of sales	20	(15,781,737)	(64,499,959)	(17,218,809)	(70,046,115)
Gross profit		10,476,789	42,818,637	10,846,473	44,123,452
Other income	21	279,675	1,143,032	194,130	789,721
Administrative expenses	22	(7,148,881)	(29,217,477)	(6,774,401)	(27,558,263)
Operating profit		3,607,583	14,744,192	4,266,202	17,354,910
Finance costs	23	(1,479,711)	(6,047,579)	(1,479,196)	(6,017,369)
Share of results of associates		326,020	1,332,444	270,944	1,102,200
Profit before tax		2,453,892	10,029,057	3,057,950	12,439,741
Income tax expense	24	(362,849)	(1,482,964)	(1,174,442)	(4,777,630)
Profit for the financial period from continuing operation		2,091,043	8,546,093	1,883,508	7,662,111
Profit from discontinuing operation		12,327	50,380	30,314	123,317
Profit for the financial period, representing total comprehensive income		2,103,370	8,596,473	1,913,822	7,785,428
Profit attributable to:					
Owners of the Company		2,093,141	8,554,667	1,969,829	8,013,264
Non-controlling interests		10,229	41,806	(56,007)	(227,836)
		2,103,370	8,596,473	1,913,822	7,785,428
Total comprehensive income attributable to:					
Owners of the Company		2,093,141	8,554,667	1,969,829	8,013,264
Non-controlling interests		10,229	41,806	(56,007)	(227,836)
		2,103,370	8,596,473	1,913,822	7,785,428
Total comprehensive income attributable to the Company:					
Continuing operation		2,080,814	8,504,287	1,939,515	7,889,947
Discontinued operation		12,327	50,380	30,314	123,317
		2,093,141	8,554,667	1,969,829	8,013,264
Basic/Diluted profit per share	25	0.029	0.119	0.027	0.111

PHNOM PENH SEZ PLC.
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**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

	Note	Company			
		2022		2021	
		USD	KHR'000	USD	KHR'000
Revenue	19	5,965,971	24,382,923	8,994,342	36,588,983
Cost of sales	20	(1,886,002)	(7,708,090)	(4,820,038)	(19,607,915)
Gross profit		4,079,969	16,674,833	4,174,304	16,981,068
Other income	21	1,375,596	5,622,061	1,381,152	5,618,526
Administrative expenses	22	(4,603,439)	(18,814,255)	(4,139,099)	(16,837,855)
Operating profit		852,126	3,482,639	1,416,357	5,761,739
Finance costs	23	(815,814)	(3,334,232)	(1,170,642)	(4,762,172)
Share of results of associates		411,323	1,681,077	270,944	1,102,200
Profit before tax		447,635	1,829,484	516,659	2,101,767
Income tax expense	24	(31,204)	(127,531)	(151,397)	(615,883)
Profit for the financial year, representing total comprehensive income		416,431	1,701,953	365,262	1,485,884

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 2022**

	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		
Group						
At 1 January 2021	35,937,500	4,575,051	18,475,706	58,988,257	1,082,465	60,070,722
Profit for the financial year, representing total comprehensive income	-	-	1,969,829	1,969,829	(56,007)	1,913,822
Transaction with owners						
<u>Changes in ownership interest</u>						
- Acquisition of non-controlling interest with subsidiaries	-	-	(76,856)	(76,856)	(1,033,124)	(1,109,980)
At 31 December 2021	35,937,500	4,575,051	20,368,679	60,881,230	(6,666)	60,874,564
At 31 December 2021 (KHR'000)	146,409,375	18,638,758	82,981,998	248,030,131	(27,157)	248,002,974
Adjustment of Sahas Securities	-	-	84,980	84,980	-	84,980
- Dividend paid	-	-	(1,169,693)	(1,169,693)	(12,436)	(1,182,129)
Profit for the financial year, representing total comprehensive income	-	-	2,093,141	2,093,141	10,229	2,103,370
At 31 December 2022	35,937,500	4,575,051	21,377,107	61,889,658	(8,873)	61,880,785
At 31 December 2022 (KHR'000)	147,954,688	18,835,485	88,009,549	254,799,722	(36,530)	254,763,192

PHNOM PENH SEZ PLC.
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**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)**

	Share capital USD	Share premium USD	Retained earnings USD	Total equity USD
Company				
At 1 January 2021	35,937,500	4,575,051	21,021,456	61,534,007
Profit for the financial year, representing total comprehensive income	-	-	365,262	365,262
At 31 December 2021	35,937,500	4,575,051	21,386,718	61,899,269
At 31 December 2021 (KHR'000)	146,409,375	18,638,758	87,129,489	252,177,622
Profit for the financial year, representing total comprehensive income	-	-	416,431	416,431
Dividend paid	-	-	(1,169,693)	(1,169,693)
At 31 December 2022	35,937,500	4,575,051	20,633,456	61,146,007
At 31 December 2022 (KHR'000)	147,954,688	18,835,485	84,947,938	251,738,111

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

PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	Group			
		2022		2021	
		USD	KHR'000	USD	KHR'000
Cash flows from operating activities					
Profit before tax		2,453,892	10,029,057	3,057,950	12,439,741
<i>Adjustments for non-cash items:</i>					
Deferred revenue		(548,000)	(2,239,676)	(548,000)	(2,229,264)
Acquisition through business combination of Sahas Advisory & Consulting Co., Ltd.		-	-	(25,987)	(105,715)
Depreciation for:					
- property, plant and equipment	5	1,580,935	6,461,281	1,431,678	5,824,066
- investment properties	6	737,191	3,012,900	505,968	2,058,278
Property, plant and equipment written off	5	21,445	87,646	-	-
Transferred from investment properties to joint venture		(43,649)	(178,393)	-	-
Finance costs	23	1,479,711	6,047,579	1,479,196	6,017,369
Interest income		(83,436)	(341,003)	(1,829)	(7,440)
Share of results of associates		(326,020)	(1,332,444)	(270,944)	(1,102,200)
Operating profit before changes in working capital		5,272,069	21,546,947	5,628,032	22,894,835
<i>Changes in working capital:</i>					
Inventories		(2,669,350)	(10,909,633)	772,433	3,142,257
Trade and other receivables		(467,780)	(1,911,817)	(127,623)	(519,170)
Contract assets		(959,170)	(3,920,128)	-	-
Trade and other payables		9,564,070	39,088,354	11,938,659	48,566,465
Contract liabilities		175,212	716,091	(175,212)	(712,762)
Net cash inflow from discontinuing operation		-	-	30,258	123,090
Cash generated from operations		10,915,051	44,609,814	18,066,547	73,494,715
Tax paid		(742,964)	(3,036,494)	(1,161,139)	(4,723,513)
Net cash generated from operating activities		10,172,087	41,573,320	16,905,408	68,771,202

PHNOM PENH SEZ PLC.
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STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Note	Group			
		2022 USD	KHR'000	2021 USD	KHR'000
Cash flows from investing activities					
Additions of:					
- investment in associates		-	-	(1,593,961)	(6,484,233)
- property, plant and equipment	5	(10,313,779)	(42,152,415)	(7,259,640)	(29,532,216)
- investment properties		(32,926)	(134,569)	-	-
- investment in joint ventures		(20,400)	(83,375)	-	-
Acquisition on non-controlling interest of Sahas E&C Co., Ltd.		-	-	(1,172,515)	(4,769,791)
Acquisition on non-controlling interest of Sahas Advisory & Consulting Co., Ltd.		-	-	62,535	254,392
Dividend received from associates	8	213,714	873,449	43,769	178,052
Net cash inflow from discontinuing operation		-	-	56	228
Interest received		83,436	341,003	1,829	7,440
(Advances to)/Repayments from:					
- associates		(112,272)	(458,856)	909,416	3,699,504
- related parties		(170,799)	(698,056)	(543,749)	(2,211,971)
- directors		(40,747)	(166,533)	38,906	158,270
- shareholders		(183,889)	(751,554)	99	403
Net cash used in investing activities		(10,577,662)	(43,230,906)	(9,513,255)	(38,699,922)
Cash flows from financing activities					
Dividend paid		(1,182,129)	(4,831,361)	-	-
Interest paid		(1,479,711)	(6,047,579)	(1,479,196)	(6,017,369)
Repayment of loans and borrowings		(7,156,314)	(29,247,855)	(5,789,647)	(23,552,284)
Drawdown of loans and borrowings		8,784,001	35,900,212	3,970,073	16,150,257
Net cash used in financing activities		(1,034,153)	(4,226,583)	(3,298,770)	(13,419,396)
Net (decrease)/ increase in cash and cash equivalents		(1,439,728)	(5,884,169)	4,093,383	16,651,884
Cash and cash equivalents at 1 January		5,716,017	23,287,054	1,622,634	6,563,555
Currency translation differences		-	202,597	-	71,615
Cash and cash equivalents at 31 December	11	4,276,289	17,605,482	5,716,017	23,287,054

PHNOM PENH SEZ PLC.
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STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Note	Company			
		2022 USD	KHR'000	2021 USD	KHR'000
Cash flows from operating activities					
Profit before tax		447,635	1,829,484	516,659	2,101,767
<i>Adjustments for non-cash items:</i>					
Deferred revenue		(548,000)	(2,239,676)	(548,000)	(2,229,264)
Depreciation for:					
- property, plant and equipment	5	1,211,562	4,951,654	1,101,993	4,482,908
- investment properties	6	381,114	1,557,613	381,113	1,550,368
Transferred from investment properties to joint venture		(43,649)	(178,393)	-	-
Loss on disposal of subsidiary		74,399	304,069	-	-
Finance costs	23	815,814	3,334,236	1,170,642	4,762,172
Interest income		(158)	(646)	(187)	(761)
Share of results of associates		(411,323)	(1,681,077)	(270,944)	(1,102,200)
Operating profit before changes in working capital		1,927,394	7,877,260	2,351,276	9,564,990
<i>Changes in working capital:</i>					
Inventories		548,967	2,243,628	1,081,796	4,400,746
Trade and other receivables		722,010	2,950,855	9,382,714	38,168,881
Trade and other payables		(742,317)	(3,033,850)	166,126	675,801
Cash generated from operations		2,456,054	10,037,893	12,981,912	52,810,418
Tax paid		(335)	(1,369)	(151,397)	(615,883)
Net cash generated from operating activities		2,455,719	10,036,524	12,830,515	52,194,535
Cash flows from investing activities					
<i>Additions of:</i>					
- investment in associates		-	-	(469,411)	(1,909,564)
- investment in subsidiaries		-	-	(17,260,589)	(70,216,076)
- property, plant and equipment	5	(1,789,354)	(7,313,090)	(2,499,844)	(10,169,365)
- investment in joint ventures	13	(20,400)	(83,375)	-	-
Net cash from discontinued operations		123,456	504,565	-	-
Dividend received from associates		213,715	873,453	43,769	178,052
Interest received		158	646	187	761

PHNOM PENH SEZ PLC.
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STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Note	Company			
		2022		2021	
		USD	KHR'000	USD	KHR'000
(Advances to)/repayments from:					
- associates		398,167	1,627,309	853,250	3,471,021
- subsidiaries		3,408,823	13,931,860	14,385,300	58,519,400
- related parties		192,149	785,313	(1,067,705)	(4,343,424)
- directors		133,983	547,589	24,176	98,348
- shareholders		(183,889)	(751,554)	99	403
Net cash generated from/(used in) investing activities		2,476,808	10,122,716	(5,990,768)	(24,370,444)
Cash flows from financing activities					
Dividend paid		(1,169,693)	(4,780,535)	-	-
Interest paid		(815,814)	(3,334,232)	(1,170,642)	(4,762,172)
Repayment of loans and borrowings		(3,106,385)	(12,695,794)	(5,367,175)	(21,833,668)
Drawdown of loans and borrowings		-	-	102,300	416,156
Net cash used in financing activities		(5,091,892)	(20,810,561)	(6,435,517)	(26,179,684)
Net (decrease)/ increase in cash and cash equivalents		(159,365)	(651,321)	404,230	1,644,407
Cash and cash equivalents at 1 January		682,473	2,780,395	278,243	1,125,492
Currency translation differences		-	24,562	-	10,496
Cash and cash equivalents at 31 December	11	523,108	2,153,636	682,473	2,780,395

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

PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

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.

During the Sixth Annual General Meeting on 28 April 2022, shareholders approved the name changed from Phnom Penh SEZ Plc. to Royal Group Phnom Penh SEZ Plc. The Company has filed the necessary documentation to the Council for the Development of Cambodia, Ministry of Commerce and General Department of Taxation and is waiting for approval to complete the name changing process.

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 28 March 2023.

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”) and are consistent with the previous period.

An English version of the financial statements have been prepared from the financial statements that are in the Khmer language. In the event of a conflict or a difference in interpretation between the two languages, the Khmer language financial statements shall prevail.

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 2022:

Amendments/Improvements to CIFRSs

CIFRS 9	Financial Instruments
CIAS 16	Property, Plant and Equipment
CIAS 37	Provisions, Contingent Liabilities and Contingent Assets

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 (CONTINUED)

2. BASIS OF PREPARATION (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>	Effective for financial periods beginning on or after
CIFRS 17 Insurance Contracts	1 January 2023
<u>Amendments/Improvements</u>	
CIFRS 1 First-time Adoption of Cambodian International Financial Reporting Standards	1 January 2023 [#]
CIFRS 3 Business Combinations	1 January 2023 [#]
CIFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 [#]
CIFRS 7 Financial Instruments: Disclosures	1 January 2023 [#]
CIFRS 9 Financial Instruments	1 January 2023 [#]
CIFRS 10 Consolidated Financial Statements	Deferred
CIFRS 15 Revenue from Contracts with Customers	1 January 2023 [#]
CIFRS 16 Leases	1 January 2024
CIFRS 17 Insurance Contracts	1 January 2023
CIAS 1 Presentation of Financial Instruments	1 January 2023/ 1 January 2024
CIAS 7 Statement of Cash Flows	1 January 2023 [#]
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 2023 [#]
CIAS 19 Employee Benefits	1 January 2023 [#]
CIAS 28 Investments in Associates and Joint Ventures	Deferred/ 1 January 2023 [#]
CIAS 32 Financial Instruments: Presentation	1 January 2023 [#]
CIAS 36 Impairment of Assets	1 January 2023 [#]
CIAS 37 Provisions, Contingent Liabilities and Contingent Assets	1 January 2023 [#]
CIAS 38 Intangible Assets	1 January 2023 [#]
CIAS 40 Investment Property	1 January 2023 [#]

[#] Amendments as to the consequence of effective CIFRS 17 Insurance Contracts

The Group and the Company plans to adopt the above applicable standards and amendments/improvements when they become effective.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (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.

The translations of USD amounts into KHR presented in the financial statements are included solely to comply with the Law on Accounting and Auditing and have been using the prescribed official annual closing and average exchange rate of USD1 to KHR4,117 and USD1 to KHR 4,087 respectively, for the year ended 31 December 2022 (2021: KHR4,074 and KHR4,068) as announced by the National Bank of Cambodia.

The statement of profit or loss and other comprehensive income and the statement of cash flows are translated into KHR using the average exchange rates for the year. Assets and liabilities for each statement of financial position presented and shareholders’ capital are translated at the closing rates as at the reporting date.

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.

PHNOM PENH SEZ PLC.
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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.

PHNOM PENH SEZ PLC.
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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) Interests in equity-accounted investees

The Group's interest in equity-accounted investees comprise interests in associates and a joint venture.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(c) Interests in equity-accounted investees (continued)

Associates are entities over which the Group has significant influence, but not control, to the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has right to the net assets of the arrangement, rather than rights its assets and obligation for its liabilities.

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

They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the carrying amount is adjusted to recognised changes in the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an associate or joint venture, 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 other entity.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control, or significant influence, any retained interest in the entity at the date when significant influence or joint control 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 or joint venture upon loss of significant influence or joint control 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 or joint venture decreases but does not result in a loss of significant influence or joint control, 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.

The carrying amount of equity-accounted investment is tested for impairment in accordance with the policy described in note 3.10(b).

(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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries, associates, and joint venture 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (continued)

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.

(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 3.17 to the financial statements.

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

(b) Subsequent costs

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

(c) Depreciation

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

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

	Years
Building and 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 3.17 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 90 days past due.

The Group and the Company consider a financial asset to be in default when:

- the debtor 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 customer;
- a breach of contract, such as a default of past due event;
- it is becoming probable that the customer 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 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 Short-term employee benefits

Short-term employee benefits obligations in respect of wages, salaries, social security contributions, voluntary pension 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 Discontinued operation

A discontinued operation is a component of the Group's business that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

3.14 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 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.

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)

3.15 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 and the Company 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 and the Company does not create an asset with an alternative use to the Group and the Company 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 and the Company 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 and 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 from 30 to 90 days which is not exceeding 12 months.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 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 from 30 to 90 days which is not exceeding 12 months.

(d) Rental income

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

3.16 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)

3.16 Lessee accounting (continued)

(b) Lessor accounting (continued)

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.

3.17 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.

3.18 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Income tax (continued)

(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.

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Income tax (continued)

(b) Deferred tax (continued)

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.

3.19 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.

3.20 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.

(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 24 to the financial statements.

(c) 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
At 31 December 2022						
Cost	721,224	24,910,294	2,381,549	919,393	1,988,766	30,921,226
Accumulated depreciation	-	(10,615,003)	(1,916,743)	(702,640)	-	(13,234,386)
Net carrying amount	721,224	14,295,291	464,806	216,753	1,988,766	17,686,840
Net carrying amount (KHR'000)	2,969,279	58,853,714	1,913,606	892,372	8,187,750	72,816,721
Movement in net carrying amount						
At 1 January 2022	721,224	13,679,214	505,888	274,572	2,471,098	17,651,996
Additions	-	1,215,177	59,410	46,312	8,992,880	10,313,779
Written off	-	(20,618)	(299)	(528)	-	(21,445)
Transfer within property, plant and equipment	-	712,657	86,000	-	(798,657)	-
Transfer to investment properties	-	-	-	-	(6,908,601)	(6,908,601)
Transfer to inventories	-	-	-	-	(1,767,954)	(1,767,954)
Depreciation charge	-	(1,291,139)	(186,193)	(103,603)	-	(1,580,935)
At 31 December 2022	721,224	14,295,291	464,806	216,753	1,988,766	17,686,840

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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
At 31 December 2021						
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
Movement in net carrying amount						
At 1 January 2021	721,224	11,828,838	324,052	176,487	534,389	13,584,990
Acquisition through business combination	-	-	-	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)

Company	Freehold land USD	Building and infrastructure USD	Machinery USD	Motor vehicles, Equipment and computers USD	*Construction in progress USD	Total USD
At 31 December 2022						
Cost	721,224	22,850,686	1,687,556	435,164	251,713	25,946,343
Accumulated depreciation	-	(10,154,301)	(1,485,470)	(395,942)	-	(12,035,713)
Net carrying amount	721,224	12,696,385	202,086	39,222	251,713	13,910,630
Net carrying amount (KHR'000)	2,969,279	52,271,018	831,988	161,477	1,036,302	57,270,064
Movement in net carrying amount						
At 1 January 2022	721,224	13,777,113	128,652	51,115	44,029	14,722,133
Additions	-	13,761	39,510	9,075	1,727,008	1,789,354
Transfer within property, plant and equipment	-	44,029	86,000	-	(130,029)	-
Transfer to inventories	-	-	-	-	(1,389,295)	(1,389,295)
Depreciation charge	-	(1,138,518)	(52,076)	(20,968)	-	(1,211,562)
At 31 December 2022	721,224	12,696,385	202,086	39,222	251,713	13,910,630

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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
At 31 December 2021						
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
Movement in net carrying amount						
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

* 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

Group	Freehold land USD	Building USD	Total USD
At 31 December 2022			
Cost	2,508,805	17,635,791	20,144,596
Accumulated depreciation	-	(3,509,508)	(3,509,508)
Net carrying amount	<u>2,508,805</u>	<u>14,126,283</u>	<u>16,635,088</u>
Net carrying amount (KHR'000)	<u>10,328,750</u>	<u>58,157,907</u>	<u>68,486,657</u>
Movement in net carrying amount			
At 1 January 2022	2,515,656	7,921,947	10,437,603
Addition	-	32,926	32,926
Transfer from property, plant and equipment	-	6,908,601	6,908,601
Transfer to joint venture	(6,851)	-	(6,851)
Depreciation charge	-	(737,191)	(737,191)
At 31 December 2022	<u>2,508,805</u>	<u>14,126,283</u>	<u>16,635,088</u>
At 31 December 2021			
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>
Movement in net carrying amount			
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>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. INVESTMENT PROPERTIES (CONTINUED)

Company	Freehold land USD	Building USD	Total USD
At 31 December 2022			
Cost	2,508,805	7,792,291	10,301,096
Accumulated depreciation	-	(2,957,833)	(2,957,833)
Net carrying amount	<u>2,508,805</u>	<u>4,834,458</u>	<u>7,343,263</u>
Net carrying amount (KHR'000)	<u>10,328,750</u>	<u>19,903,464</u>	<u>30,232,214</u>
Movement in net carrying amount			
At 1 January 2022	2,515,656	5,215,572	7,731,228
Transfer to joint venture	(6,851)	-	(6,851)
Depreciation charge	-	(381,114)	(381,114)
At 31 December 2022	<u>2,508,805</u>	<u>4,834,458</u>	<u>7,343,263</u>
At 31 December 2021			
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>
Movement in net carrying amount			
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>

The fair values of investment properties of the Group and of the Company as at 31 December 2022 were estimated at USD27,805,000 or KHR'000 114,473,185 (2021: USD17,323,000 or KHR'000 70,573,902) and USD12,224,000 or KHR'000 50,326,208 (2021: 12,224,000 or KHR'000 49,800,576) 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 2022, investment properties of the Group and the Company with a carrying amount of USD16,635,088 or KHR'000 68,486,657 (2021 USD10,437,603 or KHR'000 42,552,794) and USD7,343,263 or KHR'000 30,232,214 (2021:USD7,731,228 or KHR'000 31,497,023) respectively have been pledged as security to secure term loans granted to the Group and the Company as disclosed in Note 16 to the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT IN SUBSIDIARIES

Company	2022		2021	
	USD	KHR'000	USD	KHR'000
At cost				
Unquoted shares	39,783,104	163,787,039	39,983,104	162,891,166

(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
			2022 %	2021 %	
Sahas Properties Co., Ltd.		Cambodia	100	100	Real estate activity
Royal Group Poipet SEZ Co.,Ltd. (Formerly known as Poi Pet PPSEZ Co., Ltd)		Cambodia	100	100	Establish, develop and operate industrial zone
Royal Group Kandal SEZ Co.,Ltd. (Formerly known as Phnom Penh SEZ II Co., Ltd)		Cambodia	100	100	Establish, develop and operate industrial zone
Sahas E&C Co., Ltd.		Cambodia	100	100	Construction services
Sahas Advisory & Consulting Co., Ltd.*	(b)	Cambodia	46	46	Advisory and consultant services

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Summarised financial information of material non-controlling interests

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

SAHAS ADVISORY & CONSULTING CO., LTD.	2022		2021	
	46% USD	KHR'000	46% USD	KHR'000
NCI percentage				
Summarised statement of financial position				
Total assets	30,011	123,555	29,939	121,971
Total liabilities	(6,069)	(24,985)	(4,783)	(19,485)
Net assets	23,942	98,570	25,156	102,486
Net assets attributable to NCI	11,013	45,341	10,062	40,993
Summarised statement of profit or loss and comprehensive income				
Revenue	81,746	336,549	114,862	467,947
Profit for the financial year	18,942	77,985	20,156	82,116
Other comprehensive income	-	-	-	-
Total comprehensive income for the financial year	18,942	77,985	20,156	82,116
Profit attributable to NCI	8,713	35,871	9,272	37,774
Total comprehensive income attributable to NCI	8,713	35,871	9,272	37,774
Summarised statement of cash flows				
Net cash generated from/(used in)				
- Operating activities	40,282	165,841	14,603	59,491
- Investing activities	14,633	60,244	6,929	28,229
- Financing activities	(148,037)	(609,467)	(127,881)	(520,986)
Net decrease in cash and cash equivalents	(93,122)	(383,382)	(106,349)	(433,266)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENT IN ASSOCIATES

Group At Cost	2022		2021	
	USD	KHR'000	USD	KHR'000
Unquoted shares	8,591,361	35,370,633	8,591,361	35,001,205
Shares of post-acquisition reserves	5,439,898	22,232,863	5,541,308	22,542,040
Dividend received	213,716	873,457	-	-
Less: Allowance for impairment loss	(1,435,407)	(5,866,508)	(1,435,407)	(5,839,236)
Currency translation differences	-	126,546	-	24,637
	12,809,568	52,736,991	12,697,262	51,728,646

Company At Cost	2022		2021	
	USD	KHR'000	USD	KHR'000
Unquoted shares	7,466,811	30,740,861	7,466,811	30,419,788
Shares of post-acquisition reserves	5,525,201	22,581,492	5,541,308	22,542,041
Dividend received	213,716	873,457	-	-
Less: Allowance for impairment loss	(1,435,407)	(5,866,508)	(1,435,407)	(5,839,236)
Currency translation differences	-	129,110	-	24,636
	11,770,321	48,458,412	11,572,712	47,147,229

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

Name of associates <u>Associates of Phnom Penh SEZ PLC</u>	Country of incorporation	Effective equity interest		Principal activities
		2022 %	2021 %	
Colben Energy (Cambodia) PPSEZ Limited. *#	Cambodia	51	51	Supply of electricity
Bok Seng PPSEZ Dry Port Co., Ltd.	Cambodia	40	40	Dry port
Gomi Recycle (Phnom Penh) Co., Ltd. *	Cambodia	49	49	Waste recycle factory
<u>Associate of Royal Group Poi Pet SEZ Co., Ltd</u>				
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 Limited. was 31 March 2022 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 Limited. for the financial year ended 31 March 2022 have been used and appropriate adjustments have been made for the effects of significant transactions from Colben Energy (Cambodia) PPSEZ Limited.'s financial year end to 31 December 2022.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENT IN ASSOCIATES (CONTINUED)

(b) Summarised financial information of material associates

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

	Colben Energy (Cambodia) PPSEZ Limited USD	Bok Seng PPSEZ Dry Port Co., Ltd. USD	Other individually immaterial associates USD	Total USD
Group				
31.12.2022				
Summarised statement of financial position				
Total assets	36,762,296	7,077,438	3,353,705	47,193,439
Total liabilities	(21,164,283)	(421,938)	(237,800)	(21,824,021)
Net assets	<u>15,598,013</u>	<u>6,655,500</u>	<u>3,115,905</u>	<u>25,369,418</u>
Summarised statement of profit or loss and comprehensive income				
Revenue	14,221,736	3,442,355	117,761	17,781,852
Profit /(loss), representing total comprehensive income/(loss) for the financial year	<u>844,551</u>	<u>64,648</u>	<u>(184,307)</u>	<u>724,892</u>
Share of net assets/Carrying amount in the statement of financial position	<u>8,393,677</u>	<u>2,760,761</u>	<u>1,655,130</u>	<u>12,809,568</u>
Share of results of associates in the statement of profit or loss and comprehensive income	<u>430,721</u>	<u>25,859</u>	<u>(130,560)</u>	<u>326,020</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENT IN ASSOCIATES (CONTINUED)

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

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

	Colben Energy (Cambodia) PPSEZ Limited USD	Bok Seng PPSEZ Dry Port Co., Ltd. USD	Other individually immaterial associates USD	Total USD
Group				
31.12.2021				
Summarised statement of financial position				
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)
Net assets	14,753,463	7,125,137	1,282,071	23,160,671
Summarised statement of profit or loss and comprehensive income				
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
Share of net assets/Carrying amount in the statement of financial position	7,962,955	4,384,023	661,140	13,008,118
Share of results of associates in the statement of profit or loss and comprehensive income	62,075	239,851	(30,982)	270,944

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENT IN ASSOCIATES (CONTINUED)

(c) Effective equity interest in Colben Energy (Cambodia) PPSEZ Limited

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.

9. INVENTORIES

Group	2022		2021	
	USD	KHR'000	USD	KHR'000
At cost				
Freehold lands and development cost	41,006,441	168,823,518	36,569,137	148,982,664
Company				
At cost				
Freehold lands and development cost	12,948,312	53,308,201	12,107,985	49,327,931

The cost of inventories of the Group and of the Company recognised as an expense in cost of sales during the financial year was USD7,695,971 or KHR'000 31,453,433 (2021: USD14,320,097 or KHR'000 58,254,155) and USD540,887 or KHR'000 2,210,605 (2021: USD3,725,440 or KHR'000 15,155,090) respectively.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. INVENTORIES (CONTINUED)

Included in the net carrying amount of inventories of the Group and the Company were assets transferred from property, plant and equipment amounted to USD1,767,954 or KHR'000 7,278,667 (2021: USD841,943 or KHR'000 3,430,075) and USD1,389,295 or KHR'000 5,719,728 (2021: USD411,334 or KHR'000 1,675,774) respectively, as disclosed in Note 5 to the financial statements.

As at 31 December 2022, inventories with carrying amount of USD15,703,721 or KHR'000 64,652,219 of the Group and USD6,508,001 or KHR'000 26,793,440 of the Company have been pledged as security to secure term loans granted to the Group and the Company as disclosed in Note 16 to the financial statements.

10. TRADE AND OTHER RECEIVABLES

Group	2022		2021	
	USD	KHR'000	USD	KHR'000
Trade receivables from contract with customers				
Third parties	8,713,456	35,873,298	7,792,977	31,748,588
Shareholders	-	-	1,007	4,103
Related parties	-	-	789,333	3,215,743
	<u>8,713,456</u>	<u>35,873,298</u>	<u>8,583,317</u>	<u>34,968,434</u>
Other receivables				
Other receivables	354,307	1,458,682	199,361	812,197
Input value added taxes	1,935,854	7,969,911	1,458,388	5,941,473
Withholding tax credit	3,515,206	14,472,103	3,521,195	14,345,348
Associates	797,183	3,282,002	1,195,325	4,869,754
Related parties	201,284	828,686	589,102	2,400,002
Shareholders	-	-	16,621	67,714
Deposits	281,290	1,158,071	107,116	436,391
Prepayments	5,417,579	22,304,173	5,880,535	23,957,300
	<u>12,502,703</u>	<u>51,473,628</u>	<u>12,967,643</u>	<u>52,830,179</u>
Total trade and other receivables	<u>21,216,159</u>	<u>87,346,926</u>	<u>21,550,960</u>	<u>87,798,613</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Company	2022		2021	
	USD	KHR'000	USD	KHR'000
Trade receivables from contract with customers				
Third parties	771,217	3,175,100	996,000	4,057,704
Related parties	-	-	771,217	3,141,938
	<u>771,217</u>	<u>3,175,100</u>	<u>1,767,217</u>	<u>7,199,642</u>
Other receivables				
Other receivables	216,255	890,322	180,226	734,241
Input value added taxes	-	-	27,896	113,648
Withholding tax credit	3,470,206	14,286,838	3,475,428	14,158,892
Subsidiaries	1,836,607	7,561,311	1,166,658	4,752,965
Associates	797,158	3,281,899	1,195,325	4,869,754
Directors	(160,000)	(658,720)	-	-
Related parties	-	-	389,102	1,585,202
Shareholders	161,284	664,006	16,621	67,714
Deposits	4,330	17,827	89,416	364,281
Prepayments	588,885	2,424,440	230,576	939,367
	<u>6,914,725</u>	<u>28,467,923</u>	<u>6,771,248</u>	<u>27,586,064</u>
Total trade and other receivables	<u>7,685,942</u>	<u>31,643,023</u>	<u>8,538,465</u>	<u>34,785,706</u>

(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 Group and the Company is 30 to 90 days (2021: 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 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 USD4,819,615 or KHR'000 19,842,355 (2021: USD5,632,801 or KHR'000 22,948,031) and Nil (2021:Nil) 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

	2022		2021	
	USD	KHR'000	USD	KHR'000
Group				
Cash in hand	12,806	52,722	8,820	35,933
Deposits held at call with licensed banks	4,263,483	17,552,760	5,707,197	23,251,121
	<u>4,276,289</u>	<u>17,605,482</u>	<u>5,716,017</u>	<u>23,287,054</u>
Company				
Cash in hand	2,924	12,038	1,743	7,101
Deposits held at call with licensed banks	520,184	2,141,598	680,730	2,773,294
	<u>523,108</u>	<u>2,153,636</u>	<u>682,473</u>	<u>2,780,395</u>

Cash and bank balances are mainly denominated in USD and KHR. Deposits held at call with licensed banks are all Current Accounts. The current accounts earn 0.00% to 2.00% interest per annum (2021: 0.00%).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. 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 and the Company have received the consideration or have billed the customers.

	2022		2021	
	USD	KHR'000	USD	KHR'000
Group				
Non-current	7,672,000	31,585,624	8,220,000	33,488,280
Current	548,000	2,256,116	372,788	1,518,738
	<u>8,220,000</u>	<u>33,841,740</u>	<u>8,592,788</u>	<u>35,007,018</u>
At 1 January	8,592,788	35,007,018	9,316,000	37,683,220
Less:				
Revenue recognised in the financial year that was included in the opening contract liabilities	(372,788)	(1,523,585)	(723,212)	(2,942,026)
Currency translation differences	-	358,307	-	265,824
At 31 December	<u>8,220,000</u>	<u>33,841,740</u>	<u>8,592,788</u>	<u>35,007,018</u>
Company				
Non-current	7,672,000	31,585,624	8,220,000	33,488,280
Current	548,000	2,256,116	548,000	2,232,552
	<u>8,220,000</u>	<u>33,841,740</u>	<u>8,768,000</u>	<u>35,720,832</u>
At 1 January	8,768,000	35,720,832	9,316,000	37,683,220
Less:				
Revenue recognised in the financial year that was included in the opening contract liabilities	(548,000)	(2,239,676)	(548,000)	(2,229,264)
Currency translation differences	-	360,584	-	266,876
At 31 December	<u>8,220,000</u>	<u>33,841,740</u>	<u>8,768,000</u>	<u>35,720,832</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. INVESTMENT IN JOINT VENTURE

Phnom Penh SEZ Plc. has signed a USD150,500 called “Initial Capital” joint venture agreement with Dr. Nath Sereyroth and Mrs. Yem Sophary on Clinic Investment. The Clinic is called “PPSEZ Clinic” located at Phnom Penh Special Economic Zone, National road 4, Sangkat Kantouk, Khan Kambol, Phnom Penh.

The initial capital was paid entirely by each shareholder according to his/her own shares and all shareholders as having been wholly paid recognized these contributions. The initial capital shall be divided into 100 shares with each share having a value of USD1,505.

On 29 August 2022, due to the need of more medical equipment and salary for staff, shareholders decided and agreed to inject additional capital amount USD60,000 in which each share price increased from USD1,505 to USD2,105.

The above shares shall be paid wholly and completely to the cooperating Clinic and are divided for each shareholder according to his own initial shares proportion, namely:

Shareholders	Number of shares %	Initial capital USD	Additional capital USD	Total Capital for each shareholder USD
Phnom Penh SEZ Plc.	34	50,500	20,400	70,900
Dr. Nath Sereyroth	33	50,000	19,800	69,800
Mrs. Yem Sophary	33	50,000	19,800	69,800
Total	100	150,500	60,000	210,500

14. SHARE CAPITAL

	2022		2021	
	Number of share of USD0.50 each	Equivalent to USD	Number of share of USD0.50 each	Equivalent to USD
Ordinary shares:				
Registered:				
At 1 January / 31 December	71,875,000	35,937,500	71,875,000	35,937,500
Fully paid:				
At 1 January / 31 December	71,875,000	35,937,500	71,875,000	35,937,500
KHR'000		147,954,688		146,409,375

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

15. 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.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. LOANS AND BORROWINGS

Group	2022		2021	
	USD	KHR'000	USD	KHR'000
Secured				
Non-current:				
Term loan VII	4,923,454	20,269,860	8,328,430	33,930,024
Term loan IX	7,942,398	32,698,853	3,961,880	16,140,699
Term loan XI	662,984	2,729,505	1,191,404	4,853,780
	<u>13,528,836</u>	<u>55,698,218</u>	<u>13,481,714</u>	<u>54,924,503</u>
Current:				
Term loan VII	2,612,721	10,756,572	1,681,487	6,850,378
Term loan IX	1,815,827	7,475,760	1,202,653	4,899,608
Term loan XI	523,544	2,155,431	487,387	1,985,615
	<u>4,952,092</u>	<u>20,387,763</u>	<u>3,371,527</u>	<u>13,735,601</u>
Total loans and borrowings	<u>18,480,928</u>	<u>76,085,981</u>	<u>16,853,241</u>	<u>68,660,104</u>
Company				
Secured				
Non-current:				
Term loan VII	3,434,079	14,138,103	6,237,401	25,411,172
Term loan IX	1,498,400	6,168,913	1,998,800	8,143,111
Term loan XI	662,984	2,729,505	1,191,404	4,853,780
	<u>5,595,463</u>	<u>23,036,521</u>	<u>9,427,605</u>	<u>38,408,063</u>
Current:				
Term loan VII	2,240,718	9,225,035	1,551,120	6,319,262
Term loan IX	500,400	2,060,147	500,400	2,038,630
Term loan XI	523,544	2,155,431	487,387	1,985,615
	<u>3,264,662</u>	<u>13,440,613</u>	<u>2,538,907</u>	<u>10,343,507</u>
Total loans and borrowings	<u>8,860,125</u>	<u>36,477,134</u>	<u>11,966,512</u>	<u>48,751,570</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. LOANS AND BORROWINGS (CONTINUED)

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	2022		2021	
	USD	KHR'000	USD	KHR'000
Term loans				
At 1 January	16,853,241	68,660,104	18,672,815	75,531,536
Drawdown	8,784,001	35,900,212	3,970,073	16,150,257
Repayments	(7,156,314)	(29,247,855)	(5,789,647)	(23,552,284)
Finance costs	1,479,711	6,047,579	1,479,196	6,017,369
Interest paid	(1,479,711)	(6,047,579)	(1,479,196)	(6,017,369)
Currency translation differences	-	773,520	-	530,595
At 31 December	18,480,928	76,085,981	16,853,241	68,660,104
Company				
Term loans				
At 1 January	11,966,512	48,751,570	17,231,387	70,200,671
Drawdown	-	-	102,300	416,156
Repayments	(3,106,387)	(12,695,794)	(5,367,175)	(21,833,668)
Finance costs	815,814	3,334,236	1,170,642	4,762,172
Interest paid	(815,814)	(3,334,236)	(1,170,642)	(4,762,172)
Currency translation differences	-	421,358	-	31,589
At 31 December	8,860,125	36,477,134	11,966,512	48,751,570

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. 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	02/11/2020	*
		1,200,000	Libor+3.3% \geq 6.8%	5	17,994	19/06/2019	
		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	#
		1,300,000	8.00%	43 months	34,884	31/08/2020	#
		102,300	8.00%	3 months	682	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	23/04/2020	*
		250,000	6.50%	5	4,900	29/01/2021	*
		2,096,512	6.65%	34 months	92,638	27/09/2021	*
		5,784,000	6.19%	7	112,400	09/03/2022	*
Term loan XI	Advanced Bank of Asia Limited	1,500,000	7.50%	5	30,130	13/02/2020	#
		980,392	7.50%	5	19,597	13/02/2020	#
Term loan XII	Wing Bank	3,000,000	9.00%	4 months		30/05/2022	

* 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)

17. DISCONTINUED OPERATION

(a) Description

The group has announced its intention to exit the security business from Sahas Security Co.,Ltd. The subsidiary was closed for operation on 31 May 2022 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the five months ended 31 May 2022 (2022 column) and the year ended 31 December 2021.

	2022		2021	
	USD	KHR'000	USD	KHR'000
Revenue	270,901	1,107,172	841,810	3,424,483
Cost of sales	(222,421)	(909,035)	(712,203)	(2,897,242)
Gross profit of discontinued operation	48,480	198,137	129,607	527,241
Other income	-	-	56	228
Administrative expense	(30,720)	(125,553)	(91,771)	(373,324)
Operating profit of discontinued operation	17,760	72,584	37,892	154,145
Finance costs	-	-	-	-
Profit before tax of discontinued operation	17,760	72,584	37,892	154,145
Income tax expense	(5,433)	(22,204)	(7,578)	(30,828)
Profit for the financial period from discontinued operation	12,327	50,380	30,314	123,317
Basic/Diluted profit Per share from discontinued operation	0.0002	0.0007	0.0004	0.0014

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. TRADE AND OTHER PAYABLES

Group	2022		2021	
	USD	KHR'000	USD	KHR'000
Trade payables				
Third parties	233,391	960,871	1,487,960	6,061,949
Other payables				
Other payables	10,397,300	42,805,680	6,983,079	28,449,065
Deposits	13,483,865	55,513,072	7,685,309	31,309,949
Associates	953,888	3,927,157	480,000	1,955,520
Related parties	849,881	3,498,960	1,408,498	5,738,221
Directors	-	-	40,747	166,003
Contract liability	713	2,935	-	-
Shareholders	-	-	200,510	816,878
	25,685,647	105,747,804	16,798,143	68,435,636
Total trade and other payables	25,919,038	106,708,675	18,286,103	74,497,585
Company				
Trade payables				
Third parties	-	-	1,316,451	5,363,221
Other payables				
Other payables	478,347	1,969,356	216,323	881,301
Deposits	1,724,844	7,101,183	1,444,136	5,883,410
Subsidiaries	12,215,728	50,292,152	8,136,956	33,149,959
Associates	480,000	1,976,160	480,000	1,955,520
Related parties	848,257	3,492,274	883,926	3,601,115
Directors	-	-	26,017	105,993
Output value added tax	31,403	129,286	-	-
Shareholders	-	-	200,510	816,877
	15,778,579	64,960,411	11,387,868	46,394,175
Total trade and other payables	15,778,579	64,960,411	12,704,319	51,757,396

(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. (2021: 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)

18. 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.

19. REVENUE

	2022		2021	
	USD	KHR'000	USD	KHR'000
Group				
Revenue from contract customers:				
Construction revenue	8,089,692	33,062,571	1,936,294	7,876,844
Sale of land	11,313,940	46,240,073	21,189,142	86,197,430
Rendering of services	3,410,598	13,939,114	2,848,943	11,589,500
	<u>22,814,230</u>	<u>93,241,758</u>	<u>25,974,379</u>	<u>105,663,774</u>
Revenue from other source:				
Rental of investment properties	3,444,296	14,076,838	2,090,903	8,505,793
	<u>26,258,526</u>	<u>107,318,596</u>	<u>28,065,282</u>	<u>114,169,567</u>
Timing of revenue				
At a point in time	18,168,834	74,256,025	26,128,988	106,292,723
Over time	8,089,692	33,062,571	1,936,294	7,876,844
	<u>26,258,526</u>	<u>107,318,596</u>	<u>28,065,282</u>	<u>114,169,567</u>
Source of revenue				
Revenue from contract customers	22,814,230	93,241,758	25,974,379	105,663,774
Revenue from other source	3,444,296	14,076,838	2,090,903	8,505,793
	<u>26,258,526</u>	<u>107,318,596</u>	<u>28,065,282</u>	<u>114,169,567</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. REVENUE (CONTINUED)

Company	2022		2021	
	USD	KHR'000	USD	KHR'000
Revenue from contract customers:				
Sale of land	955,800	3,906,355	4,598,528	18,706,812
Rendering of services	3,089,857	12,628,245	2,670,431	10,863,313
	4,045,657	16,534,600	7,268,959	29,570,125
Revenue from other source:				
Rental of investment properties	1,920,314	7,848,323	1,725,383	7,018,858
	5,965,971	24,382,923	8,994,342	36,588,983
Timing of revenue				
At a point in time	5,965,971	24,382,923	8,994,342	36,588,983
Source of revenue				
Revenue from contract customers	4,045,657	16,534,600	7,268,959	29,570,125
Revenue from other source	1,920,314	7,848,323	1,725,383	7,018,858
	5,965,971	24,382,923	8,994,342	36,588,983

(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 and the Company 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 and the Company do not create an asset with an alternative use to the Group and the Company 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 and the Company 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 and the Company also estimated total contract costs in applying the input method to recognise revenue over time.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. REVENUE (CONTINUED)

(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 from 30 to 90 days which is 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 from 30 to 90 days which is not exceeding 12 months.

(d) Rental income

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

20. COST OF SALES

	2022		2021	
	USD	KHR'000	USD	KHR'000
Group				
Cost of land cost	7,695,971	31,453,433	14,320,097	58,254,155
Cost of services rendered	838,317	3,426,202	583,509	2,373,715
Cost of construction	6,171,091	25,221,248	1,809,235	7,359,967
Depreciation charge of investment properties	737,191	3,012,900	505,968	2,058,278
Others	339,167	1,386,176	-	-
	<u>15,781,737</u>	<u>64,499,959</u>	<u>17,218,809</u>	<u>70,046,115</u>
Company				
Cost of land cost	540,887	2,210,605	3,725,440	15,155,090
Cost of services rendered	863,700	3,529,942	713,485	2,902,457
Depreciation charge of investment properties	381,114	1,557,613	381,113	1,550,368
Others	100,301	409,930	-	-
	<u>1,886,002</u>	<u>7,708,090</u>	<u>4,820,038</u>	<u>19,607,915</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. OTHER INCOME

Group	2022		2021	
	USD	KHR'000	USD	KHR'000
Other income	196,239	802,029	192,301	782,281
Interest income	83,436	341,003	1,829	7,440
	<u>279,675</u>	<u>1,143,032</u>	<u>194,130</u>	<u>789,721</u>
Company				
Management fee	1,200,000	4,904,400	1,200,000	4,881,600
Other income	175,438	717,015	180,965	736,166
Interest income	158	646	187	760
	<u>1,375,596</u>	<u>5,622,061</u>	<u>1,381,152</u>	<u>5,618,526</u>

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

22. ADMINISTRATIVE EXPENSES

Group	2022		2021	
	USD	KHR'000	USD	KHR'000
Personnel costs	2,830,110	11,566,660	2,843,822	11,568,668
Depreciation charge of properties, plant, and equipment	1,580,935	6,461,281	1,430,485	5,819,213
Maintenance fees	974,502	3,982,790	395,637	1,609,450
Professional fees	518,568	2,119,387	749,691	3,049,743
Security services	167,076	682,840	170,903	695,233
Loss on disposal of subsidiary	86,726	354,449	-	-
Leases of low value assets	67,652	276,494	76,038	309,323
Handling fees	48,748	199,233	18,451	75,059
Selling and marketing expenses	46,130	188,533	14,625	59,494
Withholding tax, fringe benefit and other tax expenses	34,053	139,175	283,332	1,152,595
Electricity expenses	26,399	107,893	37,836	153,917
Other expenses	767,982	3,138,742	753,581	3,065,568
	<u>7,148,881</u>	<u>29,217,477</u>	<u>6,774,401</u>	<u>27,558,263</u>
Company				
Personnel costs	1,049,969	4,291,223	1,087,666	4,424,625
Depreciation charge of properties, plant, and equipment	1,211,562	4,951,654	1,101,993	4,482,908
Maintenance fees	908,285	3,712,161	358,254	1,457,377
Professional fees	437,469	1,787,936	610,632	2,484,051
Security services	149,302	610,197	152,820	621,672
Leases of low value assets	17,680	72,258	20,751	84,415
Handling fees	10,737	43,882	8,594	34,960
Selling and marketing expenses	39,088	159,753	9,096	37,003
Withholding tax, fringe benefit and other tax expenses	121,102	494,944	136,383	554,806
Electricity expenses	18,198	74,375	29,939	121,792
Other expenses	640,047	2,615,872	622,971	2,534,246
	<u>4,603,439</u>	<u>18,814,255</u>	<u>4,139,099</u>	<u>16,837,855</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. FINANCE COSTS

	2022		2021	
	USD	KHR'000	USD	KHR'000
Group				
Interest expense on term loans	1,479,711	6,047,579	1,479,196	6,017,369
Company				
Interest expense on term loans	815,814	3,334,232	1,170,642	4,762,172

24. 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 taxable profit (2021: 20%) or 1% based on total revenue (2021: 1%).

	2022		2021	
	USD	KHR'000	USD	KHR'000
Group				
Income tax:				
- Current year	362,849	1,482,964	1,174,442	4,777,630
Profit before tax	2,453,892	10,029,057	3,057,950	12,439,741
Tax calculated at the Cambodian tax rate of 20%	490,778	2,005,810	611,590	2,487,948
<i>Tax effects in respect of:</i>				
Expenses not deductible for tax purposes	142,949	584,233	753,256	3,064,245
Tax incentives and allowances Income recorded, but not taxable during the period	(187,069)	(764,551)	(136,215)	(554,123)
Income tax expense	362,849	1,482,964	1,174,442	4,777,630

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. INCOME TAX EXPENSE (CONTINUED)

Company	2022		2021	
	USD	KHR'000	USD	KHR'000
Income tax:				
- Current year	31,204	127,531	151,397	615,883
Profit before tax	447,635	1,829,484	516,659	2,101,769
Tax calculated at the Cambodian tax rate of 20%	89,527	365,897	103,332	420,355
<i>Tax effects in respect of:</i>				
Expenses not deductible for tax purposes	63,112	257,939	233,027	947,954
Tax incentives and allowances	(37,626)	(153,778)	(130,773)	(531,985)
Income recorded, but not taxable during the period	(83,809)	(342,527)	(54,189)	(220,441)
Income tax expense	<u>31,204</u>	<u>127,531</u>	<u>151,397</u>	<u>615,883</u>

25. 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:

Group	2022		2021	
	USD	KHR'000	USD	KHR'000
Profit for the financial year attributable to owners of the Company	<u>2,093,141</u>	<u>8,554,667</u>	<u>1,969,829</u>	<u>8,013,264</u>
	Units	Units	Units	Units
Number of ordinary shares in issue	<u>71,875,000</u>	<u>71,875,000</u>	<u>71,875,000</u>	<u>71,875,000</u>
	USD	KHR'000	USD	KHR'000
Basic and diluted earnings per share	<u>0.029</u>	<u>0.119</u>	<u>0.027</u>	<u>0.111</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. DIVIDEND

	2022		2021	
	USD	KHR'000	USD	KHR'000
Group				
Recognised during the financial period:				
Dividends on ordinary shares:				
- Phnom Penh SEZ Plc.				
Dividend distribution for year 2020: US\$0.0056 per ordinary share, paid within 27 th January 2022 to 4 th February 2022	400,645	1,637,436	-	-
Dividend distribution for year 2021: US\$0.0106508 per ordinary share, paid within 6 th to 14 th December 2022	769,048	3,143,099	-	-
- Sahas Advisory & Consulting Co., Ltd.				
Dividend for the financial period ended 30 June 2022: US\$4.0312 per ordinary share, paid on 24 June 2022	12,436	50,826	-	-
	<u>1,182,129</u>	<u>4,831,361</u>	-	-
Company				
Recognised during the financial period:				
Dividends on ordinary shares:				
- Dividend distribution for year 2020: US\$0.0056 per ordinary share, paid within 27 th January 2022 to 4 th February 2022	400,645	1,637,436	-	-
- Dividend distribution for year 2021: US\$0.0106508 per ordinary share, paid within 6 th to 14 th December 2022	769,048	3,143,099	-	-
	<u>1,169,693</u>	<u>4,780,535</u>	-	-

27. 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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28. 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			
	2022		2021		2022		2021	
	USD	KHR'000	USD	KHR'000	USD	KHR'000	USD	KHR'000
<u>Subsidiaries:</u>								
Royal Group Kandal SEZ Co., Ltd.								
- Management fee	-	-	-	-	1,200,000	4,940,400	1,200,000	4,888,800
- Payment on behalf	-	-	-	-	(4,802,176)	(19,770,559)	(1,184,029)	(4,823,732)
Royal Group Poi Pet SEZ Co., Ltd.								
- Payment on behalf	-	-	-	-	672,450	2,768,477	1,277,990	5,206,531
Sahas E&C Co., Ltd.								
- Construction cost	-	-	-	-	(1,108,152)	(4,562,262)	(2,111,978)	(8,604,198)
Sahas Security Co., Ltd.								
- Security service	-	-	-	-	(38,232)	(157,401)	(152,820)	(622,589)
Sahas Properties Co., Ltd.								
- Payment on behalf	-	-	-	-	(2,186,263)	(9,000,845)	(3,154,901)	(12,853,065)

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

28. RELATED PARTY TRANSACTIONS (CONTINUED)

	Group				Company			
	2022		2021		2022		2021	
	USD	KHR'000	USD	KHR'000	USD	KHR'000	USD	KHR'000
Associate								
COLBEN ENERGY (CAMBODIA) PPSEZ LIMITED								
- Rental income	548,000	2,256,116	548,000	2,232,552	548,000	2,256,116	548,000	2,232,552
- Purchase of electricity	(443,998)	(1,827,940)	(388,827)	(1,584,079)	(443,998)	(1,827,940)	(388,827)	(1,584,079)

- (a) Balances with related parties at the end of the reporting period are disclosed in Note 10 and Note 18 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.

	2022		2021	
	USD	KHR'000	USD	KHR'000
Group and Company				
-Short term employees benefit	511,336	2,105,170	523,729	2,133,672

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

29. 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 2022.

30. 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.

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.

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

30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Trade receivables (continued)

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.

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

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

30. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

Other receivables and other financial assets (continued)

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.

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.

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

30. 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				
At 31 December 2022						
Loans and borrowings	18,480,928	76,085,981	18,480,928	4,675,693	11,374,275	2,430,960
Trade and other payables	25,919,038	106,708,679	25,919,038	25,919,038	-	-
	<u>44,399,966</u>	<u>182,794,660</u>	<u>44,399,966</u>	<u>30,594,731</u>	<u>11,374,275</u>	<u>2,430,960</u>
At 31 December 2021						
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	-	-
	<u>35,139,344</u>	<u>143,157,689</u>	<u>35,139,344</u>	<u>22,961,796</u>	<u>11,374,275</u>	<u>803,273</u>

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

30. 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: (continued)

Company	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				
At 31 December 2022						
Loans and borrowings	8,860,125	36,477,134	8,860,125	3,264,662	5,595,463	-
Trade and other payables	15,778,579	64,960,410	15,778,579	15,778,579	-	-
	<u>24,638,704</u>	<u>101,437,544</u>	<u>24,638,704</u>	<u>19,043,241</u>	<u>5,595,463</u>	<u>-</u>
At 31 December 2021						
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	-	-
	<u>24,670,831</u>	<u>100,508,966</u>	<u>24,670,831</u>	<u>15,791,273</u>	<u>8,530,089</u>	<u>349,469</u>

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

30. 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.

31. 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)

32. 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	2022		2021	
	USD	KHR'000	USD	KHR'000
Property, plant and equipment	4,899,434	20,170,970	4,035,448	16,440,417
Inventories - Freehold land	-	-	1,484,002	6,045,825
	<u>4,899,434</u>	<u>20,170,970</u>	<u>5,519,450</u>	<u>22,486,242</u>
Company				
Property, plant and equipment	135,902	559,509	-	-
Inventories - Freehold land	-	-	966,006	3,935,508
	<u>135,902</u>	<u>559,509</u>	<u>966,006</u>	<u>3,935,508</u>

(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	2022		2021	
	USD	KHR'000	USD	KHR'000
within one year	101,269	416,924	47,993	195,523
within five years	301,271	1,240,333	87,607	356,912
	<u>402,540</u>	<u>1,657,257</u>	<u>135,600</u>	<u>552,435</u>

33. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

As at the date of this report, the Management at Royal Group Kandal SEZ Co., Ltd (formerly known as Phnom Penh SEZ II Co., Ltd.) has discussed with Ms. Hak Sipa (Agent), who is an agent facilitating the land acquisition for the Company, related to the advance amounting to USD693,747. The discussion between both parties is primarily on the monthly settlement plan, length of time, and/or an option to purchase the Agent's land. The Management expects to reach an agreement with the Agent before end of 2023.

PHNOM PENH SEZ PLC.
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34. MATERIAL LITIGATION

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.

As replied by the Company's lawyer concerning litigation, claim and assessment dated 18 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 November 2020. The Claimants have since withdrawn their claims entirely 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 Singapore International Arbitration Centre has on 25 April 2022 made a Final Award as follows:

- (a) The Claimants are to pay the Company the sums of SGD472,500 (equivalent to USD346,343) and USD112,577 in relation to the costs incurred by the Company in consequence of the Claimants' withdrawal of its claims in the Arbitration.
- (b) The Company's counterclaim is dismissed.
- (c) The Company is to pay the Claimants in relation to the costs incurred in defending the counterclaim in the sums of SGD104,510 (equivalent to USD76,606).
- (d) The fees and expenses of the arbitral institution and the tribunal incurred in the Arbitration are to be shared between the parties to the arbitration in the proportion 75% by the Claimants of SGD87,854 (equivalent to USD64,397) and 25% shared by the Company of SGD29,285 (equivalent to USD21,466).
- (e) The Final Award is in full settlement of all claims in connection with the counterclaim by the Company and also the Arbitration.
- (f) According the Final Award, if the payment awarded in (a), (c) and (d) above are not made before 30 days after the date of the Final Award, post-award simple interest at a rate of 5.33% per annum will be accrued beginning 30 days after the date of the Final Award until such time as payment is made.

On 20 June 2022, the Company has received the full payment from Claimants and also settled the full payment to Claimants as per final award.

35. COMPARATIVE FIGURES

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

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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 2022 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 80.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, 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 3.15(b), and Note 19 to the financial statements

For the financial year ended 31 December 2022, revenue recognised from sale of land of the Group and of the Company amounted to USD11,313,940 and USD955,800 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, and Note 10 to the financial statements

As at 31 December 2022, the carrying values of trade and other receivables of the Group and of the Company amounted to USD21,216,159 and USD7,685,942 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) 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 2022, the carrying values of investment in associates of the Group and of the Company amounted to USD12,809,568 and USD11,770,321 respectively; whilst carrying values of investment in subsidiaries of the Company amounted to USD39,783,104.

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.

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 (continued)

Refer to Note 3.10, Note 7 and Note 8 to the financial statements (continued)

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.

Information Other than the Financial Statements and Auditors' Report Thereon

The management of the Group and 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.

Company No. 00006448

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

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

The management of the Group and 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 Group and the Company is responsible for overseeing the Group's and the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

Company No. 00006448

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

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

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

- 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 and the Company to express an opinion on the financial statements of the Group and the Company. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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.

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



Oknha Tan Khee Meng
Certified Public Accountant

Phnom Penh, Kingdom of Cambodia

Date: 28 March 2023



Chapter 7: Related Transactions

7.1 Material transaction with substantial or controlling shareholders

We did not have any material transactions with substantial or controlling shareholders in 2022.



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

We did not have any material transactions with company's directors or officers or any person whereby directors or senior officers have interest in 2022.



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

We did not have any material transactions with the company's Directors or Management Personnel in 2022.



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

We did not have any material transactions with the family members of company's directors or Management Personnel in 2022.



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

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



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

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



7.7 Main transactions with other related parties.

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

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

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





Chapter 8: MANAGEMENT DESCRIPTION & ANALYSIS

8.1 Overview of operationsshareholders



A. Revenue Analysis

Total Revenue for the Period of **107,318,596 KHR'000** in FY 2022, a decrease of **6%** Y-o-Y

In year 2022 ("FY 2022"), PPSP reported total revenue of **107,318,596 KHR'000**, a decrease of **6%** Y-o-Y compared to the amount **114,169,567 KHR'000** in year 2021 ("FY 2021") mainly from substantial decrease in revenue from land sold (**46,240,073 KHR'000** vs. **86,197,430 KHR'000** in FY 2021).



B. Revenue Breakdown by sector

The Revenue from Land Sold for the Period of **46,240,073 KHR'000** in FY 2022, accounting for **43.09%** of Total Revenue

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

No		2022		2021	
		Quantity	%	Quantity	%
1	Sale of land	46,240,073	43.09%	86,197,430	75.50%
2	Service rendered	13,939,114	12.99%	11,589,500	10.15%
3	Construction Revenue	33,062,571	30.81%	7,876,844	6.90%
4	Rental income	14,076,838	13.12%	8,505,793	7.45%
	Total	107,318,596	100.00%	114,169,567	100.00%

Unit: KHR '000



C. Gross profit gap analysis

Gross profit for the Period of **42,818,637 KHR'000** in FY 2022, a decrease of **2.96%**

In FY 2022, PPSP reported consolidated gross profit of **42,818,637 KHR'000**, a decrease of **2.96%** Y-o-Y compared to the amount **44,123,452 KHR'000** in FY 2021.



D. Analysis of pre-tax profits

Profit before tax for the Period of **10,029,057 KHR'000** in FY 2022

In FY 2022, PPSP reported consolidated profit before tax of **10,029,057 KHR'000**, compared to the profit of **12,439,741 KHR'000** in FY 2021.

E. After tax profit Analysis

Profit after tax for the Period of **8,596,473 KHR'000** in FY 2022

In FY 2022, PPSP reported consolidated profit after tax of **8,596,473 KHR'000**, compared to the profit of **7,785,428 KHR'000** in FY 2021.

F. Analysis of factors and trends affecting the financial condition and results

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

8.2 Key factors which have an effect on profitability

A. Supply vs. Demand

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

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

B. Fluctuation of raw materials price

There was no raw materials required during 2022 since we are industrial estate development business.

C. Change of Tax Scheme

This was no change on the related tax scheme during 2022.



D. Unusual or extraordinary items

There was no extraordinary income and expense during 2022.

8.3 Significant variation in sales and revenue

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

8.4 The impact of currency exchange rates and commodity prices

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

8.5 Impact of Inflation

Inflation has not effect significantly on our financial performance.

8.6 Economic policy, the government's fiscal and monetary

The key policies that influence our business are:

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

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

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

- 400,000 KHR for small enterprise
- 1,200,000 KHR for medium enterprise
- For large enterprise 3,000,000 KHR will be charged for the company with revenue from 2,000 million riel to 10,000 million riel.
- 5,000,000 KHR will be charged for the company with revenue exceed 10,000 million riel.
- In spite of change as above, it, however, does not significantly affect the investment decision.



Chapter 9: Other Information Relating to The Investor

9.1 Royal Group Phnom Penh Special Economic Zone Facts and Figures summary

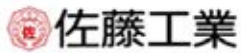
\$36M CAPITAL	357Ha + 100Ha Total Site Area	107 Staff
101 TENANT	\$741M FDI Investment	41% Japanese Company
40,083 Workers Per Day	76% Female Worker	12 Investor Nations

❖❖❖ 9.2 International Corporations (Manufacturers)

 Ajinomoto MSG manufacturer from Japan	 ANGKORMILK Dairy Products manufacturer from Vietnam	 ANT ASIA NUTRITION TECHNOLOGIES Animal Feed manufacturer from Taiwan	 Aprati FOODS Candy manufacturer from USA
 BETAGRO LET'S MAKE LIFE BETTER Animal Feed manufacturer from Thailand	 Coca-Cola Beverages manufacturer from USA	 DENSO Crafting the Core Car Components manufacturer from Japan	 LAURELTON DIAMONDS Subsidiary company of Tiffany & Co.
 Minebea Mitsumi Passion to Create Value through Difference Electronics manufacturer from Japan	 ROHTO Cosmeceuticals manufacturer from Japan	 SCWS Wire Harness manufacturer from Japan	
 SVI Public Company Limited Electronics manufacturer from Thailand	 TOA Paint manufacturer from Thailand	 WINSUN Growing Together Diapers manufacturer from Taiwan	 YEO'S Beverages manufacturer from Singapore

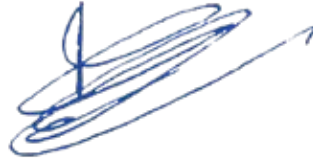


❖❖❖ 9.3 International Corporations (Non-Manufacturers)



Signature of the Directors

March 29th, 2023
Read and Approved



Neak Oknha Kith Meng
Non-Executive Chairman

March 29th, 2023
Read and Approved



Hiroshi Uematsu
Executive Director/CEO

March 29th, 2023
Read and Approved



Hiroshi Otsubo
Non-Executive Director

March 29th, 2023
Read and Approved



Mark Hanna
Non-Executive Chairman

March 29th, 2023
Read and Approved



Hep Seka
Independent Director

March 29th, 2023
Read and Approved



Kang Wei Geih
Non-Executive Chairman

March 29th, 2023
Read and Approved



Dr. Eakapong Tungsriranguan
Non-Executive Director



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