

PHNOM PENH AUTONOMOUS PORT

**Condensed Interim Financial Information
for the quarter ended 31 December 2016
and
Report of the Independent Auditors**

Corporate information

| | |
|----------------------|---|
| Company | Phnom Penh Autonomous Port |
| Registration No | Co.7175 Et/2004 |
| Registered office | No. 649, Preah Sisowat Quay Sangkat Sras Chork Khan Daun Penh, Phnom Penh Kingdom of Cambodia |
| Majority shareholder | Ministry of Economy and Finance |
| Board of Directors | H.E. Hei Bavy, Chairman and Chief Executive Officer H.E. Suon Rachana, Member representing MPWT H.E. Ken Sambath, Member representing MEF H.E. Penn Sovicheat, Member representing MOC Mr. Gui Anvanith, Member as Independent Director Mrs. Chuon Sokhem, Member representing PPAP employees Mr. Deth Sochal, Member as Non-Executive Director representing private shareholders |
| Management team | H.E. Hei Bavy, Chief Executive Officer Mr. Mam Rithy, State Controller H.E. Kim Sen, Deputy Director General of Administration/Finance H.E. Nem Thim, Deputy Director General of Operation Mr. Hiek Phirun, Deputy Director General of Maritime Service/Traffic Mr. Koy Bunthorn Deputy Director General of Technique Mrs. Hei Phanin, Head of Planning/Marketing Department Mr. Keo Sophanara, Head of Internal Audit Department Mrs. Chuon Sokhem, Head of Administration Department Mr. Kong Sothea, Head of Department Mr. Chui Vichet, Head of Personnel/HR Department Ms. Chheav Vanthea, Head of Accounting/Finance Department Mr. Chiep Viraya, Head of Hydrographic Department Mr. Yim Choeurn, Head of LM 17 Operation Department Mr. Soy Sereysovathanak, Head of Commercial Zone/Domestic Port Department Mr. Tol Sokhom, Head of TS3 Operation Department Mr. Kong Channy, Head of Corporate Secretariat |
| Principal bankers | Foreign Trade Bank of Cambodia ANZ Royal Bank (Cambodia) Ltd. Canadia Bank Plc. Advanced Bank of Asia Limited Bank of China Limited |
| Auditor | KPMG Cambodia Ltd |

Phnom Penh Autonomous Port

Contents

| | Page |
|--|-------------|
| 1. Statement by the management | 1 |
| 2. Report of the independent auditors | 2 |
| 3. Condensed interim statement of financial position | 4 |
| 4. Condensed interim statement of profit or loss and other comprehensive income | 6 |
| 5. Condensed interim statement of changes in equity | 8 |
| 6. Condensed interim statement of cash flows | 10 |
| 7. Notes to the condensed interim financial information | 12 |

Statement by the management

We do hereby state that, in our opinion, the accompanying condensed interim financial information of Phnom Penh Autonomous Port as set out on pages 4 to 29 is presented fairly, in all material respects, in accordance with Cambodian International Accounting Standard 34, "Interim Financial Reporting". ✎



Signed on behalf of the management, ✎

Hei Bavy

Delegate of Royal Government in charge as Chairman and CEO

Phnom Penh, Kingdom of Cambodia

Date: 10 FEB 2017



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Report of the independent auditors

To the shareholders

Phnom Penh Autonomous Port

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Phnom Penh Autonomous Port (“PPAP”) as at 31 December 2016, and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period and the year ended 31 December 2016, and notes to the condensed interim financial information as set out on pages 4 to 29 (“the condensed interim financial information”). Management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with Cambodian International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the Cambodian International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Cambodian International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the three-month period and the year ended 31 December 2016 is not presented fairly, in all material respects, in accordance with Cambodian International Accounting Standard 34, "Interim Financial Reporting".

For **KPMG Cambodia Ltd**



Nge Huy
Partner

Phnom Penh, Kingdom of Cambodia

10 February 2017

Phnom Penh Autonomous Port

Condensed interim statement of financial position As at 31 December 2016

| | Note | As at 31 December 2016 | | As at 31 December 2015 | |
|-----------------------------------|------|------------------------|--------------------|------------------------|--------------------|
| | | US\$ | KHR'000 | US\$ | KHR'000 |
| | | | (Note 4) | | (Note 4) |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 5 | 145,156,392 | 588,318,857 | 140,013,553 | 568,455,025 |
| Investment properties | | 8,535,320 | 34,593,652 | 7,907,653 | 32,105,071 |
| | | <u>153,691,712</u> | <u>622,912,509</u> | <u>147,921,206</u> | <u>600,560,096</u> |
| Current assets | | | | | |
| Trade and other receivables | 6 | 2,934,781 | 11,894,667 | 2,913,180 | 11,827,511 |
| Cash and cash equivalents | 7 | 6,751,489 | 27,363,785 | 8,749,221 | 35,521,837 |
| | | <u>9,686,270</u> | <u>39,258,452</u> | <u>11,662,401</u> | <u>47,349,348</u> |
| Total assets | | <u>163,377,982</u> | <u>662,170,961</u> | <u>159,583,607</u> | <u>647,909,444</u> |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Share capital | 8 | 114,453,485 | 457,813,940 | 110,316,612 | 441,266,448 |
| Share premium/other capital | 8 | 155,502 | 622,008 | 4,292,375 | 17,169,500 |
| Legal reserves | | 590,941 | 2,395,084 | 431,780 | 1,753,027 |
| General reserves | | 590,941 | 2,395,084 | 431,780 | 1,753,027 |
| Development fund | | 10,126,768 | 41,043,791 | 7,822,617 | 31,759,825 |
| Retained earnings | | 3,175,671 | 12,870,995 | 3,160,025 | 12,829,702 |
| Currency translation difference | | - | 6,074,275 | - | 6,876,540 |
| Total equity | | <u>129,093,308</u> | <u>523,215,177</u> | <u>126,455,189</u> | <u>513,408,069</u> |
| Liabilities | | | | | |
| Non-current liabilities | | | | | |
| Guaranteed dividends payable | | 793,653 | 3,216,676 | - | - |
| Borrowings | 9 | 28,979,637 | 117,454,469 | 28,979,637 | 117,657,326 |
| Provision for retirement benefits | 10 | 533,959 | 2,164,136 | 525,192 | 2,132,280 |
| Deferred tax liabilities, net | 11 | 1,183,701 | 4,797,540 | 1,082,617 | 4,395,425 |
| | | <u>31,490,950</u> | <u>127,632,821</u> | <u>30,587,446</u> | <u>124,185,031</u> |

The accompanying notes form an integral part of this condensed interim financial information.

Phnom Penh Autonomous Port

Condensed interim statement of financial position (continued) As at 31 December 2016

| | Note | As at 31 December 2016 | | As at 31 December 2015 | |
|-------------------------------------|------|------------------------|--------------------|------------------------|--------------------|
| | | US\$ | KHR'000 | US\$ | KHR'000 |
| | | | (Note 4) | | (Note 4) |
| Current liabilities | | | | | |
| Trade and other payables | 12 | 2,304,463 | 9,339,988 | 1,900,091 | 7,714,367 |
| Provision for income tax | 11 | 489,261 | 1,982,975 | 640,881 | 2,601,977 |
| | | <u>2,793,724</u> | <u>11,322,963</u> | <u>2,540,972</u> | <u>10,316,344</u> |
| | | <u>34,284,674</u> | <u>138,955,784</u> | <u>33,128,418</u> | <u>134,501,375</u> |
| Total equity and liabilities | | <u>163,377,982</u> | <u>662,170,961</u> | <u>159,583,607</u> | <u>647,909,444</u> |

The accompanying notes form an integral part of this condensed interim financial information.

Phnom Penh Autonomous Port

Condensed interim statement of profit or loss and other comprehensive income for the quarter ended 31 December 2016

| | | Year ended 31 December 2016 | | Three-month period ended 31 December 2016 | | Year ended 31 December 2015 | | Three-month period ended 31 December 2015 | |
|--|------|--------------------------------|---------------------|---|---------------------|--------------------------------|---------------------|---|---------------------|
| | Note | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Revenue | 13 | 16,300,422 | 66,065,610 | 4,017,939 | 16,235,576 | 15,137,484 | 61,458,186 | 3,792,057 | 15,395,751 |
| Cost of sales and services | 14 | (5,619,645) | (22,776,421) | (1,600,311) | (6,469,983) | (5,388,585) | (21,877,655) | (1,366,621) | (5,548,481) |
| Gross profit | | <u>10,680,777</u> | <u>43,289,189</u> | <u>2,417,628</u> | <u>9,765,593</u> | <u>9,748,899</u> | <u>39,580,531</u> | <u>2,425,436</u> | <u>9,847,270</u> |
| Other income | | 967,904 | 3,922,915 | 315,848 | 1,277,524 | 360,285 | 1,462,757 | 100,947 | 409,845 |
| General administration and selling expenses | 15 | (5,619,730) | (22,776,766) | (1,447,651) | (5,850,641) | (4,581,506) | (18,600,916) | (1,441,901) | (5,854,118) |
| Net operating income | | <u>6,028,951</u> | <u>24,435,338</u> | <u>1,285,825</u> | <u>5,192,476</u> | <u>5,527,678</u> | <u>22,442,372</u> | <u>1,084,482</u> | <u>4,402,997</u> |
| Finance costs | | (1,272,385) | (5,156,976) | (340,881) | (1,377,864) | (1,159,186) | (4,706,295) | (309,405) | (1,256,184) |
| Profit before income tax | | <u>4,756,566</u> | <u>19,278,362</u> | <u>944,944</u> | <u>3,814,612</u> | <u>4,368,492</u> | <u>17,736,077</u> | <u>775,077</u> | <u>3,146,813</u> |
| Income tax expense | 11 | (669,176) | (2,712,170) | (133,509) | (538,969) | (1,185,267) | (4,812,184) | (313,427) | (1,272,514) |
| Net profit for the year/period | | <u>4,087,390</u> | <u>16,566,192</u> | <u>811,435</u> | <u>3,275,643</u> | <u>3,183,225</u> | <u>12,923,893</u> | <u>461,650</u> | <u>1,874,299</u> |

The accompanying notes form an integral part of this condensed interim financial information.

Phnom Penh Autonomous Port

Condensed interim statement of profit or loss and other comprehensive income (continued) for the quarter ended 31 December 2016

| Note | Year ended 31 December 2016 | | Three-month period ended 31 December 2016 | | Year ended 31 December 2015 | | Three-month period ended 31 December 2015 | |
|---|--------------------------------|---------------------|---|---------------------|--------------------------------|---------------------|---|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Other comprehensive income | | | | | | | | |
| Re-measurements of defined benefit liability | 47,626 | 193,028 | 55,571 | 225,261 | 4,831 | 19,614 | 12,827 | 52,078 |
| | <u>4,135,016</u> | <u>16,759,220</u> | <u>867,006</u> | <u>3,500,904</u> | <u>3,188,056</u> | <u>12,943,507</u> | <u>474,477</u> | <u>1,926,377</u> |

The earnings per share attributable to shareholders of the Phnom Penh Autonomous Port for the quarter ended as at 31 December 2016 are as follows:

| | | | | |
|----------------------------|------|-----|------|------|
| Basic earnings per share | 0.20 | 0.8 | 0.04 | 0.16 |
| Diluted earnings per share | 0.20 | 0.8 | 0.04 | 0.16 |

The accompanying notes form an integral part of this condensed interim financial information.

Phnom Penh Autonomous Port

Condensed interim statement of changes in equity for the quarter ended 31 December 2016

| | Share capital US\$ | Share premium/ other capital US\$ | Legal reserves US\$ | General reserves US\$ | Development fund US\$ | Retained earnings US\$ | Currency translation difference US\$ | Total US\$ |
|--|---------------------------|---|---------------------------|-----------------------------|-----------------------------|------------------------------|---|---------------------------|
| At 1 January 2015 | 26,777,872 | - | 349,143 | 349,143 | 6,335,151 | 85,655,817 | - | 119,467,126 |
| <i>Transaction with owners of PPAP</i> | | | | | | | | |
| Additional capital through initial public offerings (“IPO”) | - | 5,193,915 | - | - | - | - | - | 5,193,915 |
| Transaction costs | - | (901,540) | - | - | - | - | - | (901,540) |
| Dividend | - | - | - | - | - | (492,368) | - | (492,368) |
| | <u>-</u> | <u>4,292,375</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(492,368)</u> | <u>-</u> | <u>3,800,007</u> |
| <i>Total comprehensive incomes</i> | | | | | | | | |
| Net profit for the year | - | - | - | - | - | 3,183,225 | - | 3,183,225 |
| Other comprehensive income | - | - | - | - | - | 4,831 | - | 4,831 |
| Transfers | 83,538,740 | - | 82,637 | 82,637 | 1,487,466 | (85,191,480) | - | - |
| | <u>83,538,740</u> | <u>-</u> | <u>82,637</u> | <u>82,637</u> | <u>1,487,466</u> | <u>(82,003,424)</u> | <u>-</u> | <u>3,188,056</u> |
| At 31 December 2015 | <u>110,316,612</u> | <u>4,292,375</u> | <u>431,780</u> | <u>431,780</u> | <u>7,822,617</u> | <u>3,160,025</u> | <u>-</u> | <u>126,455,189</u> |
| At 31 December 2015 (KHR'000 – Note 4) | <u>441,266,448</u> | <u>17,169,500</u> | <u>1,753,027</u> | <u>1,753,027</u> | <u>31,759,825</u> | <u>12,829,702</u> | <u>6,876,540</u> | <u>513,408,069</u> |

The accompanying notes form an integral part of this condensed interim financial information.

Phnom Penh Autonomous Port

Condensed interim statement of changes in equity (continued) for the quarter ended 31 December 2016

| | Share capital US\$ | Share premium/ other capital US\$ | Legal reserves US\$ | General reserves US\$ | Development fund US\$ | Retained earnings US\$ | Currency translation difference US\$ | Total US\$ |
|---|-----------------------|---|---------------------------|-----------------------------|-----------------------------|------------------------------|---|--------------------|
| At 1 January 2016 | 110,316,612 | 4,292,375 | 431,780 | 431,780 | 7,822,617 | 3,160,025 | - | 126,455,189 |
| <i>Transaction with owners of PPAP</i> | | | | | | | | |
| Guaranteed dividends payable | - | - | - | - | - | (936,145) | - | (936,145) |
| Dividends | - | - | - | - | - | (560,752) | - | (560,752) |
| | - | - | - | - | - | (1,496,897) | - | (1,496,897) |
| <i>Total comprehensive incomes</i> | | | | | | | | |
| Net profit for the year | - | - | - | - | - | 4,087,390 | - | 4,087,390 |
| Other comprehensive income | - | - | - | - | - | 47,626 | - | 47,626 |
| Transfers | 4,136,873 | (4,136,873) | 159,161 | 159,161 | 2,304,151 | (2,622,473) | - | - |
| | 4,136,873 | (4,136,873) | 159,161 | 159,161 | 2,304,151 | 1,512,543 | - | 4,135,016 |
| At 31 December 2016 | 114,453,485 | 155,502 | 590,941 | 590,941 | 10,126,768 | 3,175,671 | - | 129,093,308 |
| At 31 December 2016 (KHR'000 – Note 4) | 457,813,940 | 622,008 | 2,395,084 | 2,395,084 | 41,043,791 | 12,870,995 | 6,074,275 | 523,215,177 |

The accompanying notes form an integral part of this condensed interim financial information.

Phnom Penh Autonomous Port

Condensed interim statement of cash flows for the quarter ended 31 December 2016

| | Year ended 31 December 2016 | | Year ended 31 December 2015 | |
|--|--------------------------------|---------------------|--------------------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Operating activities | | | | |
| Net profit for the year | 4,087,390 | 16,566,192 | 3,183,225 | 12,923,893 |
| Adjustments for: | | | | |
| Income tax expense | 669,176 | 2,712,170 | 1,185,267 | 4,812,184 |
| Depreciation of property, plant and equipment and investment property | 2,378,131 | 9,638,565 | 2,305,546 | 9,360,517 |
| Loss on disposal of property, plant and equipment | - | - | 7,212 | 29,281 |
| Property, plant and equipment written off | 14,090 | 57,107 | 15,376 | 62,427 |
| Foreign exchange difference | 5,607 | 22,725 | - | - |
| Provision for retirement benefits | 95,688 | 387,823 | (144,853) | (588,103) |
| Finance costs | 1,272,385 | 5,156,976 | 1,159,186 | 4,706,295 |
| | <u>8,522,467</u> | <u>34,541,558</u> | <u>7,710,959</u> | <u>31,306,494</u> |
| Changes in: | | | | |
| Trade and other receivables | (21,601) | (87,549) | (1,537,947) | (6,244,068) |
| Trade and other payables | 116,749 | 473,187 | 271,963 | 1,104,170 |
| | <u>8,617,615</u> | <u>34,927,196</u> | <u>6,444,975</u> | <u>26,166,596</u> |
| Interest paid | (1,159,186) | (4,698,181) | (1,159,186) | (4,706,295) |
| Income tax paid | (709,926) | (2,877,331) | (474,838) | (1,927,842) |
| Withholding tax credit | (9,786) | (39,663) | - | - |
| Employee benefit paid | (39,295) | (159,263) | (42,586) | (172,899) |
| | <u>6,699,422</u> | <u>27,152,758</u> | <u>4,768,365</u> | <u>19,359,560</u> |
| Net cash generated from operating activities | | | | |
| | <u>6,699,422</u> | <u>27,152,758</u> | <u>4,768,365</u> | <u>19,359,560</u> |
| Investing activities | | | | |
| Purchase of property, plant and equipment | (7,611,051) | (30,847,590) | (1,631,473) | (6,623,780) |
| Purchase of investment property | (551,676) | (2,235,943) | (11,314) | (45,935) |
| Proceeds from disposals of property, plant and equipment | - | - | 2,726 | 11,068 |
| | <u>(8,162,727)</u> | <u>(33,083,533)</u> | <u>(1,640,061)</u> | <u>(6,658,647)</u> |
| Net cash used in investing activities | | | | |
| | <u>(8,162,727)</u> | <u>(33,083,533)</u> | <u>(1,640,061)</u> | <u>(6,658,647)</u> |

Phnom Penh Autonomous Port

Condensed interim statement of cash flows (continued) for the quarter ended 31 December 2016

| | Year ended 31 December 2016 | | Year ended 31 December 2015 | |
|---|--------------------------------|---------------------|--------------------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Financing activities | | | | |
| Proceed from IPO, net of transaction costs | - | - | 4,292,375 | 17,427,043 |
| Dividend paid | (534,427) | (2,166,033) | (492,368) | (1,999,014) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net cash (used in)/generated from financing activities | (534,427) | (2,166,033) | 3,800,007 | 15,428,029 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Net (decrease)/increase in cash and cash equivalents | (1,997,732) | (8,096,808) | 6,928,311 | 28,128,942 |
| Cash and cash equivalents at 1 January | 8,749,221 | 35,460,593 | 1,820,910 | 7,392,895 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Cash and cash equivalents at 31 December (Note 7) | 6,751,489 | 27,363,785 | 8,749,221 | 35,521,837 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

The accompanying notes form an integral part of this condensed interim financial information.

Phnom Penh Autonomous Port

Notes to the condensed interim financial information for the quarter ended 31 December 2016

1. Reporting entity

Phnom Penh Autonomous Port (“PPAP” or “the Company”) was incorporated in the Kingdom of Cambodia under the Sub-Decree number 51 អនក្រឹត្យ dated 17 July 1998 as a state-owned public enterprise supervised by the Ministry of Economy and Finance (“MEF”) and the Ministry of Public Works and Transport (“MPWT”). On 9 December 2015, PPAP was listed on the Cambodia Securities Exchange (“CSX”) with the securities listing certificate number 003 CSX/SC and became a state-owned public enterprise offering shares to the public.

PPAP is a legal entity with technical, administrative, and financial autonomy and its main mission are port services and other related port facilities.

The organizing and functioning of all departments of PPAP shall comply with the relevant laws and legal norms in force.

PPAP has the objectives to undertake the management, maintenance and operation of the port service as well as related port facilities in order to expand and develop for the need of commercial, industrial, or tourism sectors and takes all necessary measures for the growth of the Company.

PPAP has responsibilities as port authority and port operator, including but not limited to:

- Provide pilotage, navigating the vessel entering into or departing from port;
- Provide vessel's berth;
- Provide a location for vessel repairing and fuel refilling;
- Provide dredging service and maintain navigation channel;
- Monitor operation according to technical standard and ensure safety, environmental sustainability, and orders in the port's commercial zone;
- Check ship documents in order to complete the formalities for vessel entering into-departing from the port;
- Train human resources in navigation and port sector through the Cambodia Maritime Institute;
- Develop port infrastructure through cooperation with the domestic and foreign development partners in order to expand container terminal, general/bulk cargo terminal, feeder port, and passenger/tourist terminal;
- Establish port supporting areas, including special economic zone, industrial zone, agricultural products processing zone and logistics zone;
- Take various measures in order to ensure the enforcement of laws and legal norms related to port and means of water transportation;
- Lift on-lift off, load-unload, and store cargo;

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2016

1. Reporting entity (continued)

- Transport goods within port area, between the port and industrial area;
- Provide bonded warehouse service, temporary customs warehouse service and container yard;
- Provide tug-boat assistance, and mooring-unmooring service;
- Provide logistics supply, pure water, and hygiene service to vessel;
- Provide container stuffing-unstuffing service;
- Provide container repair and maintenance service;
- Provide tourist/passenger terminal and domestic port service; and
- Operate other businesses of any kinds authorized by the laws and legal norms in force to support the growth of PPAP.

As at 31 December 2016, PPAP had 475 employees (as at 31 December 2015: 478 employees).

2. Basis of preparation

(a) Statement of compliance

These condensed interim financial information have been prepared in accordance with Cambodian International Accounting Standard (“CIAS”) 34, “Interim Financial Reporting”. They do not include all the information required for a complete set of CIFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements as at and for the year ended 31 December 2015.

These condensed interim financial information were authorised for issue by the Company’s Board of Directors on 10 February 2017.

(b) Functional and presentation currency

The national currency of Cambodia is the Khmer Riel (“KHR”). However as the Company transacts its business and maintains its accounting records primarily in United States Dollars (“US\$”), management have determined the US\$ to be the Company’s functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

This financial information is presented in US\$, which is the Company’s functional currency. All information in US\$ has been rounded to the nearest dollars.

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2016

2. Basis of preparation (continued)

(c) Use of estimate and judgements

In preparing this condensed interim financial information, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2015.

Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the finance team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of CIFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2016

3. Significant accounting policies

The accounting policies applied in this condensed interim financial information are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2015.

4. Translation of United States Dollars into Khmer Riel

The condensed interim financial information is stated in United States Dollars. The translations of United States Dollars amounts into Khmer Riel are included solely for meeting the presentation requirements pursuant to the Law on Accounting and Auditing and have been made using the prescribed official exchange rate of US\$1 to KHR4,053 (As at 31 December 2015: KHR4,060) published by the General Department of Taxation on 31 December 2016. These convenience translations should not be construed as representations that the US\$ amounts have been, could have been, or could in the future be, converted into Khmer Riel at this or any other rate of exchange.

5. Property, plant and equipment

During the year ended 31 December 2016, the Company acquired the property, plant and equipment amounting to US\$7,611,051 (year ended 31 December 2015: US\$1,631,473), depreciation amounting to US\$2,321,528 (year ended 31 December 2015: US\$2,258,415) was charged to profit or loss.

6. Trade and other receivables

| | As at 31 December 2016 | | As at 31 December 2015 | |
|----------------------------------|------------------------|---------------------|------------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Trade receivables | 2,068,942 | 8,385,422 | 1,880,547 | 7,635,021 |
| Advances, prepayments and others | 688,812 | 2,791,755 | 589,415 | 2,393,025 |
| Staff loans* | 177,027 | 717,490 | 389,838 | 1,582,742 |
| Advance to MPWT | - | - | 53,380 | 216,723 |
| | <u>2,934,781</u> | <u>11,894,667</u> | <u>2,913,180</u> | <u>11,827,511</u> |

* This represents loans to staff to acquire the Company's shares during the IPO process. Staff loans are interest-free and repayable on 24 equal monthly instalments.

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2016

6. Trade and other receivables (continued)

The fair values of the loans to employees are based on discounted cash flows using an effective interest rate of 12% per annum. Management assessed that the 12% interest rate is a reasonable rate, being equivalent to the rate at which the employees could obtain loans from commercial banks in KHR for a period of two years.

7. Cash and cash equivalents

| | As at 31 December 2016 | | As at 31 December 2015 | |
|---------------|------------------------|---------------------|------------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Cash in banks | 6,746,586 | 27,343,913 | 8,745,579 | 35,507,050 |
| Cash on hand | 4,903 | 19,872 | 3,642 | 14,787 |
| | <u>6,751,489</u> | <u>27,363,785</u> | <u>8,749,221</u> | <u>35,521,837</u> |

8. Share capital and share premium

| | As at 31 December 2016 | | As at 31 December 2015 | |
|-----------------------------------|------------------------|---------------------|------------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Registered, issued and fully paid | <u>114,453,485</u> | <u>457,813,940</u> | <u>110,316,612</u> | <u>441,266,448</u> |

Share capital of US\$114,453,485 is divided into 114,453,485 shares at KHR4,000 (equivalent to US\$1) each, divided into three classes:

- 4,136,873 Class A (Voting) shares (3.61%) with a total value of US\$4,136,873 (equivalent to KHR16,547,492,000).
- 16,547,492 Class B (Voting) shares (14.46%) with a total value of US\$16,547,492 (equivalent to KHR66,189,968,000).
- 93,769,120 Class C (Non-voting) shares (81.93%) with a total value of US\$93,769,120 (equivalent to KHR375,076,480,000).

On 9 December 2015, PPAP was successfully listed on the Cambodia Securities Exchange ("CSX"). The total number of ordinary shares (voting) is 20,684,365 shares, of which 4,136,873 (Class A) shares were from the IPO with a par value of KHR4,000 per share with a surplus of US\$1,136,169 (prevailing exchange rate of US\$1 to KHR4,078 at IPO date). After listing, the MEF hold 80% of the issued shares. PPAP received the proceed from the IPO amounting to US\$5,193,915 and incurred the IPO costs of US\$901,540.

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2016

8. Share capital and share premium (continued)

Class A shareholders will enjoy the minimum guaranteed dividend yield of 5% per year based on the IPO price for the period of at least 5 years, starting from 2016 to 2020. The present value of these guaranteed dividends amounting to US\$936,145 is expected to be paid over 5 years.

Class C shareholders do not entitle to PPAP's dividend but have first priority in case of PPAP's liquidation.

On 4 April 2016, the Board of Directors of PPAP resolved to distribute the dividends in respect to the net profit for the year 2015 to shareholders of each class of share as followings:

- Class A shareholders is entitled to total dividends of US\$26,325 (equivalent to KHR105,903,950) and will be paid in 2017.
- Class B shareholders is entitled to total dividends of US\$534,427 (equivalent to KHR2,150,000,000) and was paid on 9 June 2016.

On 5 September 2016, the MPWT and the MEF approved to amend the Memorandum and Articles of Association ("MAA") to reflect the changes resulting from the IPO i.e. the par value of US\$4,136,873 and surplus of US\$155,502 of the share issued in the IPO are classified as share capital and share premium respectively. This amended MAA was approved by the Ministry of Commerce on 28 September 2016.

Total shares of PPAP are summarised as follows:

| Class | Number of shares | Par value US\$ | Premium US\$ | As at 31 December 2016 US\$ | Classification |
|-------|--------------------|--------------------|----------------|-----------------------------|---------------------------------|
| A | 4,136,873 | 4,136,873 | 155,502 | 4,292,375 | Share capital and share premium |
| B | 16,547,492 | 16,547,492 | - | 16,547,492 | Share capital |
| C | 93,769,120 | 93,769,120 | - | 93,769,120 | Share capital |
| | <u>114,453,485</u> | <u>114,453,485</u> | <u>155,502</u> | <u>114,608,987</u> | |

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2016

9. Borrowings

| | As at 31 December 2016 | | As at 31 December 2015 | |
|--|------------------------|---------------------|------------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Non-current | | | | |
| Phnom Penh Port - New Container Terminal Project ("PPPNCTP") or Phnom Penh Port LM17 | 28,979,637 | 117,454,469 | 28,979,637 | 117,657,326 |

PPPNCTP represents an on-lending agreement between the MEF and PPAP for the lending of proceeds of the Import-Export Bank of China ("the Eximbank") under the Preferential Buyer Credit Loan Agreement: No. (2010)29(136) dated 4 November 2010 for Phnom Penh Port - New Container Terminal Project.

The amount to be re-lent to PPAP shall be deemed to be simultaneously lent to PPAP on the same dates, in the same currency and the same amount as those disbursed by the Eximbank for the purposes of financing the implementation of the Project. PPAP pays interest to the MEF semi-annually at the rate of 4% per annum. The loan on-lent is for 20 years, including a grace period of not exceeding 7 years from the date of the conclusion of the Loan Agreement.

10. Provision for retirement benefits

| | | As at 31 December 2016 | | As at 31 December 2015 | |
|----------------------|------|------------------------|---------------------|------------------------|---------------------|
| | | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Defined benefit plan | (i) | 514,207 | 2,084,081 | 507,399 | 2,060,040 |
| Other benefits | (ii) | 19,752 | 80,055 | 17,793 | 72,240 |
| | | <u>533,959</u> | <u>2,164,136</u> | <u>525,192</u> | <u>2,132,280</u> |

(i). Defined benefit plan

PPAP offers final basic salary with lump sum payment at retirement or at an earlier exit through ill-health retirement or death-in-service. The plan is neither a funded nor an approved retirement plan and therefore it is not subject to any regulatory framework pertaining to approved retirement fund. The following tables analyse present value of defined benefit obligations, expense recognised in profit or loss, actuarial assumptions.

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2016

10. Provision for retirement benefits (continued)

(i). Defined benefit plan (continued)

Expenses recognised in profit or loss:

| | Year ended 31 December 2016 | | Three-month period ended 31 December 2016 | | Year ended 31 December 2015 | | Three-month period ended 31 December 2015 | |
|----------------|--------------------------------|---------------------|---|---------------------|--------------------------------|---------------------|---|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Service costs | 41,385 | 167,733 | 10,377 | 41,934 | (204,311) | (829,503) | 9,707 | 39,410 |
| Interest costs | 34,551 | 140,036 | 8,661 | 35,000 | 43,351 | 176,005 | 11,021 | 44,745 |
| | <u>75,936</u> | <u>307,769</u> | <u>19,038</u> | <u>76,934</u> | <u>(160,960)</u> | <u>(653,498)</u> | <u>20,728</u> | <u>84,155</u> |

Actuarial assumptions:

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages).

| | |
|-------------------------|--|
| Discount rate * | 6.70% |
| Future salary increases | 22.00% per annum, and gradually decreasing to 5% per annum for both basic and total salary |
| Mortality | Thailand Mortality Ordinary Life Table 2008 |
| Disability | 10.00% of mortality rate |
| Retirement ages | 55, 58 and 60 depending on the categories of employees |
| Turnover rate | 1.50% |

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2016

10. Provision for retirement benefits (continued)

(i). Defined benefit plan (continued)

Actuarial assumptions: (continued)

* As information on Cambodian corporate or government bonds are not readily available, PPAP has analysed the medium to long term deposit rates in denomination the KHR of major banks in Cambodia.

Assumptions regarding future mortality are based on published statistics and mortality tables. As standard life tables are not available for Cambodia, PPAP used the standard Thailand Mortality Ordinary Life Table 2008 (TM2008) without modification (see below for comparison). The rates are published as a standard table TM2008. As those employed in the formal sector are likely to experience better mortality than the general population, an allowance for this has been made.

Life expectancy at birth in Cambodia

| | |
|---------|--------------|
| Males | 61 years old |
| Females | 64 years old |

Life expectancy at birth for proposed TM2008

| | |
|---------|--------------|
| Males | 66 years old |
| Females | 74 years old |

Sensitivity analysis:

0.25% decrease in discount rate results in a 2.19% increase in defined benefit plan obligations. 0.25% increase in discount rate results in a 2.12% decrease in defined benefit plan obligations. 0.50% decrease in salary increase rate results in a 3.86% decrease in defined benefit obligations. 0.50% increase in salary increase rate results in a 4.09% increase in defined benefit obligations.

(ii). Other benefits

PPAP has paid an amount equal to 3% of monthly basic salary to National Social Security Funds of Civil ("NSSFC") annually. After retirement employees will get monthly retirements from NSSFC.

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2016

11. Taxation

(a) Deferred tax, net

| | As at 31 December 2016 | | As at 31 December 2015 | |
|--------------------------|------------------------|---------------------|------------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Deferred tax assets | 112,119 | 454,419 | 115,162 | 467,558 |
| Deferred tax liabilities | (1,295,820) | (5,251,959) | (1,197,779) | (4,862,983) |
| | <u>(1,183,701)</u> | <u>(4,797,540)</u> | <u>(1,082,617)</u> | <u>(4,395,425)</u> |

Deferred tax assets/(liabilities) are attributable to:

| | As at 31 December 2016 | | As at 31 December 2015 | |
|-----------------------------------|------------------------|---------------------|------------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Depreciation | (1,295,820) | (5,251,958) | (1,197,779) | (4,862,983) |
| Provision for retirement benefits | 103,939 | 421,265 | 105,038 | 426,455 |
| Deferred income | 7,593 | 30,774 | 10,124 | 41,103 |
| Foreign exchange difference | 587 | 2,379 | - | - |
| | <u>(1,183,701)</u> | <u>(4,797,540)</u> | <u>(1,082,617)</u> | <u>(4,395,425)</u> |

(b) Provision for income tax

| | As at 31 December 2016 | | As at 31 December 2015 | |
|-------------------------------|------------------------|---------------------|------------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| At 1 January | 640,881 | 2,597,492 | 319,975 | 1,299,099 |
| Charge during the period/year | 499,047 | 2,022,638 | 781,741 | 3,173,868 |
| Withholding tax credit | (9,786) | (39,663) | - | - |
| Prior year's under provision | 69,045 | 279,839 | 14,003 | 56,852 |
| Income tax paid | (709,926) | (2,877,331) | (474,838) | (1,927,842) |
| | <u>489,261</u> | <u>1,982,975</u> | <u>640,881</u> | <u>2,601,977</u> |

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2016

11. Taxation (continued)

(c) Income tax expense

| | Year ended 31 December 2016 | | Three-month period ended 31 December 2016 | | Year ended 31 December 2015 | | Three-month period ended 31 December 2015 | |
|------------------------------|--------------------------------|---------------------|---|---------------------|--------------------------------|---------------------|---|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Current income tax | 499,047 | 2,022,638 | 92,007 | 371,277 | 781,741 | 3,173,868 | 182,584 | 741,291 |
| Prior year's under provision | 69,045 | 279,839 | - | - | 14,003 | 56,852 | - | - |
| Deferred tax | 101,084 | 409,693 | 41,502 | 167,692 | 389,523 | 1,581,464 | 130,843 | 531,223 |
| | <u>669,176</u> | <u>2,712,170</u> | <u>133,509</u> | <u>538,969</u> | <u>1,185,267</u> | <u>4,812,184</u> | <u>313,427</u> | <u>1,272,514</u> |

In accordance with Cambodian Law on Taxation, PPAP has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or a minimum tax of 1% of revenue, whichever is higher. Having been successfully listed on CSX, PPAP is entitled to tax incentive as follows:

- A reduction on the tax on profit and withholding tax by 50% respectively (specifically withholding tax on interest and/or dividend resulting from holding and/or buying-selling government, equity and debt securities) for the period of 3 years in accordance with the Sub-decree no. 1 អនក្រឹត្យ.ប្រតិ of the Royal Government of Cambodia dated on 8 January 2015. On 11 February 2016, the Securities and Exchange Commission of Cambodia ("SECC") submitted a letter to the General Department of Taxation ("GDT") suggesting that PPAP will be entitled to the tax incentive starting from 2016. On 12 December 2016, the PPAP submit a letter to SECC requesting for their assistance in facilitating with the GDT for the written approval on the 50% reduction on the tax on profit of PPAP for financial year ended 2016. The SECC, subsequently on 30 December 2016, submitted a letter to the GDT requesting for the written approval for the said tax incentive. This request was approved by the GDT on 8 February 2017.

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2016

11. Taxation (continued)

(c) Income tax expense (continued)

- A temporary postponement on the prepayment of profit tax for the period of 3 years in accordance with the Prakas number 855 សវ័ណ្ណប្រក្រតី of the MEF dated on 24 July 2015. On 11 February 2016, PPAP submitted a letter to the GDT through SECC requesting the written approval for the said tax incentive. This request was approved by the GDT on 10 June 2016.

The reconciliation of income tax computed at the statutory tax rate to the income tax expense shown in the profit or loss is as follows:

| | Year ended 31 December 2016 | | Three-month period ended 31 December 2016 | | Year ended 31 December 2015 | | Three-month period ended 31 December 2015 | |
|--|--------------------------------|---------------------|---|---------------------|--------------------------------|---------------------|---|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Profit before income tax | 4,756,566 | 19,278,362 | 944,944 | 3,814,612 | 4,368,492 | 17,736,077 | 775,077 | 3,146,813 |
| Income tax using approved tax rate at 20% | 951,313 | 3,855,672 | 188,989 | 762,924 | 873,698 | 3,547,216 | 155,015 | 629,363 |
| Effect of tax incentive | (397,611) | (1,611,518) | (16,449) | (65,144) | - | - | - | - |
| Prior year's under provision | 69,045 | 279,839 | - | - | 14,003 | 56,852 | - | - |
| Effect of non-deductible expenses | 46,429 | 188,177 | (39,031) | (158,811) | 297,566 | 1,208,116 | 158,412 | 643,151 |
| Income tax expense | 669,176 | 2,712,170 | 133,509 | 538,969 | 1,185,267 | 4,812,184 | 313,427 | 1,272,514 |

The calculation of taxable income is subject to the review and assessment of the tax authorities.

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2016

12. Trade and other payables

| | As at 31 December 2016 | | As at 31 December 2015 | |
|------------------------------|------------------------|---------------------|------------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Accrued operating expenses | 918,408 | 3,722,308 | 797,919 | 3,239,548 |
| Trade payables | 458,922 | 1,860,011 | 238,877 | 969,841 |
| Customer deposits | 166,800 | 676,040 | 241,575 | 980,795 |
| Interest payable | 441,422 | 1,789,083 | 441,422 | 1,792,173 |
| Other tax payables | 31,288 | 126,810 | 180,298 | 732,010 |
| Dividend payable | 26,325 | 106,695 | - | - |
| Guaranteed dividends payable | 261,298 | 1,059,041 | - | - |
| | <u>2,304,463</u> | <u>9,339,988</u> | <u>1,900,091</u> | <u>7,714,367</u> |

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2016

13. Revenue

| | Year ended 31 December 2016 | | Three-month period ended 31 December 2016 | | Year ended 31 December 2015 | | Three-month period ended 31 December 2015 | |
|------------------------------|--------------------------------|---------------------|---|---------------------|--------------------------------|---------------------|---|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Stevedoring | 6,710,037 | 27,195,780 | 1,639,954 | 6,626,453 | 6,031,361 | 24,487,326 | 1,449,530 | 5,885,092 |
| Lift On Lift Off (LOLO) | 5,353,929 | 21,699,474 | 1,377,231 | 5,566,010 | 4,928,893 | 20,011,306 | 1,245,463 | 5,056,580 |
| Port dues & charges | 2,874,300 | 11,649,538 | 786,020 | 3,177,386 | 2,494,712 | 10,128,531 | 707,889 | 2,874,029 |
| Sand dredging management fee | 318,731 | 1,291,817 | 23,962 | 95,939 | 718,514 | 2,917,167 | 159,946 | 649,381 |
| Survey | 9,330 | 37,814 | 9,330 | 37,814 | 179,707 | 729,610 | 16,461 | 66,832 |
| Gate fee | 550,089 | 2,229,511 | 129,545 | 523,364 | 489,427 | 1,987,074 | 117,382 | 476,571 |
| Storage fee | 478,458 | 1,939,190 | 50,024 | 201,033 | 291,489 | 1,183,445 | 95,076 | 386,009 |
| Trucking fee | 1,609 | 6,521 | 82 | 326 | 3,381 | 13,727 | 310 | 1,257 |
| Weighting fee | 3,939 | 15,965 | 1,791 | 7,251 | - | - | - | - |
| | <u>16,300,422</u> | <u>66,065,610</u> | <u>4,017,939</u> | <u>16,235,576</u> | <u>15,137,484</u> | <u>61,458,186</u> | <u>3,792,057</u> | <u>15,395,751</u> |

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2016

14. Cost of sales and services

| | Year ended 31 December 2016 | | Three-month period ended 31 December 2016 | | Year ended 31 December 2015 | | Three-month period ended 31 December 2015 | |
|-------------------------------|--------------------------------|---------------------|---|---------------------|--------------------------------|---------------------|---|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Depreciation | 1,992,954 | 8,077,443 | 501,843 | 2,028,006 | 1,963,082 | 7,970,113 | 492,818 | 2,000,841 |
| Crane charge | 1,370,814 | 5,555,909 | 345,330 | 1,395,520 | 1,276,608 | 5,183,028 | 301,377 | 1,223,591 |
| Salaries and other benefits | 1,060,911 | 4,299,872 | 272,814 | 1,102,562 | 1,061,764 | 4,310,762 | 275,863 | 1,120,004 |
| Fuel and gasoline | 309,975 | 1,256,329 | 78,920 | 318,939 | 561,022 | 2,277,749 | 85,722 | 348,031 |
| Maintenance costs | 536,746 | 2,175,432 | 228,431 | 924,598 | 322,917 | 1,311,043 | 75,250 | 305,515 |
| Sand dredging management cost | 183,713 | 744,589 | 102,042 | 413,250 | 114,947 | 466,685 | 77,513 | 314,703 |
| Survey costs | 7,021 | 28,456 | 1,810 | 7,315 | 39,871 | 161,876 | 13,522 | 54,899 |
| Others | 157,511 | 638,391 | 69,121 | 279,793 | 48,374 | 196,399 | 44,556 | 180,897 |
| | <u>5,619,645</u> | <u>22,776,421</u> | <u>1,600,311</u> | <u>6,469,983</u> | <u>5,388,585</u> | <u>21,877,655</u> | <u>1,366,621</u> | <u>5,548,481</u> |

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2016

15. General administration and selling expenses

| | Year ended 31 December 2016 | | Three-month period ended 31 December 2016 | | Year ended 31 December 2015 | | Three-month period ended 31 December 2015 | |
|------------------------------|--------------------------------|---------------------|---|---------------------|--------------------------------|---------------------|---|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Salaries and wages | 3,032,149 | 12,289,300 | 764,485 | 3,089,387 | 2,271,053 | 9,220,475 | 747,641 | 3,035,422 |
| Donation expenses | 400,542 | 1,623,397 | 143,582 | 580,910 | 299,642 | 1,216,547 | 132,116 | 536,391 |
| Utilities and fuel | 409,683 | 1,660,445 | 97,556 | 394,146 | 375,609 | 1,524,973 | 123,461 | 501,252 |
| Depreciation | 385,177 | 1,561,122 | 101,167 | 408,893 | 342,464 | 1,390,404 | 91,347 | 370,869 |
| Repairs and maintenance | 198,069 | 802,774 | 37,124 | 149,820 | 126,636 | 514,142 | 18,001 | 73,084 |
| Business entertainments | 163,182 | 661,377 | 37,007 | 149,485 | 217,130 | 881,548 | 24,433 | 99,198 |
| Travelling expenses | 132,838 | 538,392 | 26,983 | 108,938 | 121,993 | 495,292 | 28,767 | 116,794 |
| Professional fee | 59,742 | 242,134 | 30,795 | 124,696 | 21,951 | 89,121 | 23,417 | 95,073 |
| Board of Directors' fee | 208,818 | 846,339 | 52,371 | 211,634 | 127,489 | 517,605 | 52,404 | 212,760 |
| Office and material supplies | 129,197 | 523,635 | 36,391 | 147,121 | 108,216 | 439,357 | 15,941 | 64,720 |
| Communication expenses | 57,349 | 232,435 | 14,797 | 59,802 | 63,394 | 257,380 | 15,010 | 60,941 |
| Other tax expenses | 108,646 | 440,342 | 23,753 | 95,931 | 223,366 | 906,866 | 101,001 | 410,064 |
| Others | 334,338 | 1,355,074 | 81,640 | 329,878 | 282,563 | 1,147,206 | 68,362 | 277,550 |
| | <u>5,619,730</u> | <u>22,776,766</u> | <u>1,447,651</u> | <u>5,850,641</u> | <u>4,581,506</u> | <u>18,600,916</u> | <u>1,441,901</u> | <u>5,854,118</u> |

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2016

16. Related party transactions and balances

(a) Significant transactions with related parties

PPAP had significant related party transactions during the period as follows:

| | Year ended 31 December 2016 | | Three-month period ended 31 December 2016 | | Year ended 31 December 2015 | | Three-month period ended 31 December 2015 | |
|-------------------------|--------------------------------|---------------------|---|---------------------|--------------------------------|---------------------|---|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| MEF: | | | | | | | | |
| Finance costs | 1,159,186 | 4,698,181 | 312,624 | 1,263,679 | 1,159,186 | 4,706,295 | 309,405 | 1,256,184 |
| MEF and MPWT: | | | | | | | | |
| Donation and charities | 25,960 | 105,216 | 5,425 | 21,906 | 66,149 | 268,566 | 21,072 | 85,552 |
| With Directors: | | | | | | | | |
| Directors' remuneration | 208,818 | 846,339 | 52,371 | 211,634 | 127,489 | 517,605 | 52,404 | 212,760 |

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2016

16. Related party transactions and balances (continued)

(b) Significant balances with related parties

| | As at 31 December 2016 | | As at 31 December 2015 | |
|---|------------------------|---------------------|------------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Amounts due from related parties: | | | | |
| MPWT | - | - | 53,380 | 216,722 |
| Borrowings from Eximbank through MEF | 28,979,637 | 117,454,469 | 28,979,637 | 117,657,326 |
| Interest payable on borrowings | 441,422 | 1,789,083 | 441,422 | 1,792,173 |
| | <u>29,421,059</u> | <u>119,243,552</u> | <u>29,421,059</u> | <u>119,449,499</u> |

17. Commitments

PPAP has commitments in respect of the rental expenses on the following terms:

| | As at 31 December 2016 | | As at 31 December 2015 | |
|---------------------|------------------------|---------------------|------------------------|---------------------|
| | US\$ | KHR'000 (Note 4) | US\$ | KHR'000 (Note 4) |
| Within 1 year | 55,767 | 226,024 | 56,932 | 231,144 |
| Within 2 to 3 years | 58,401 | 236,699 | 111,528 | 452,804 |
| | <u>114,168</u> | <u>462,723</u> | <u>168,460</u> | <u>683,948</u> |

18. Taxation contingencies

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. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects since the incorporation of the Company could be significant.