

PHNOM PENH AUTONOMOUS PORT

**Condensed Interim Financial Information
for the quarter ended 31 December 2017
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. Dith 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. Nem Thim, Deputy Director General of Administration/Finance (Retired on 01 October 2017) Mr. Tor Ny, Deputy Director General of Administration/Finance (Appointed on 01 November 2017) Mr. Hiek Phirun, Deputy Director General of Maritime Service/Traffic Mr. Koy Bunthorn Deputy Director General of Technique Mrs. Hei Phanin, Deputy Director General of Business/Operation Mr. Keo Sophanara, Head of Internal Audit Department Mrs. Chuon Sokhem, Head of Administration Department Mr. Kong Sothea, Head of Personnel/HR Department Mr. Chui Vichet, Head of Engineer 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 Harbour Department (Appointed on 01 November 2017) Mr. Hun Sokhalay, Head of Planning/Marketing Department (Appointed on 10 November 2017) Mr. Kong Channy, Head of Corporate Secretariat

Corporate information (continued)

Principal bankers	Foreign Trade Bank of Cambodia ANZ Royal Bank (Cambodia) Ltd. Canadia Bank Plc. Advanced Bank of Asia Limited Bank of China Limited ACLEDA Bank Plc.
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Auditor	KPMG Cambodia Ltd
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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 31 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: 13 FEB 2018



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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 2017, and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the quarter ended 31 December 2017 and notes to the condensed interim financial information as set out on pages 4 to 31 (“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 31 December 2017 is not prepared, 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

13 February 2018

Phnom Penh Autonomous Port

Condensed interim statement of financial position as at 31 December 2017

	Note	As at 31 December 2017		As at 31 December 2016	
		US\$	KHR'000	US\$	KHR'000
			(Note 4)		(Note 4)
ASSETS					
Non-current assets					
Property, plant and equipment	6	145,355,017	586,798,204	145,156,392	585,996,355
Investment properties		8,473,703	34,208,339	8,535,320	34,457,087
		<u>153,828,720</u>	<u>621,006,543</u>	<u>153,691,712</u>	<u>620,453,442</u>
Current assets					
Trade and other receivables	7	3,009,308	12,148,576	2,934,781	11,847,711
Cash and cash equivalents	8	11,717,944	47,305,340	6,751,489	27,255,761
		<u>14,727,252</u>	<u>59,453,916</u>	<u>9,686,270</u>	<u>39,103,472</u>
Total assets		<u>168,555,972</u>	<u>680,460,459</u>	<u>163,377,982</u>	<u>659,556,914</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	9	114,453,485	457,813,940	114,453,485	457,813,940
Share premium/other capital	9	155,502	622,008	155,502	622,008
Legal reserves		795,311	3,210,671	590,941	2,385,629
General reserves		795,311	3,210,671	590,941	2,385,629
Development fund		12,355,661	49,879,803	10,126,768	40,881,762
Retained earnings		5,282,062	21,323,684	3,175,671	12,820,184
Currency translation difference		-	4,240,532	-	4,240,532
Total equity		<u>133,837,332</u>	<u>540,301,309</u>	<u>129,093,308</u>	<u>521,149,684</u>
Liabilities					
Non-current liabilities					
Guaranteed dividends payable		630,080	2,543,633	793,653	3,203,977
Borrowings	10	26,909,663	108,634,310	28,979,637	116,990,795
Provision for retirement benefits	11	619,279	2,500,029	533,959	2,155,592
Deferred tax liabilities, net	12	1,414,296	5,709,513	1,183,701	4,778,601
		<u>29,573,318</u>	<u>119,387,485</u>	<u>31,490,950</u>	<u>127,128,965</u>

Phnom Penh Autonomous Port

Condensed interim statement of financial position (continued) as at 31 December 2017

	Note	As at 31 December 2017		As at 31 December 2016	
		US\$	KHR'000	US\$	KHR'000
			(Note 4)		(Note 4)
Current liabilities					
Trade and other payables	13	2,510,885	10,136,443	2,304,463	9,303,118
Provision for income tax	12	564,463	2,278,737	489,261	1,975,147
Current portion of borrowings	10	2,069,974	8,356,485	-	-
		<u>5,145,322</u>	<u>20,771,665</u>	<u>2,793,724</u>	<u>11,278,265</u>
Total liabilities		<u>34,718,640</u>	<u>140,159,150</u>	<u>34,284,674</u>	<u>138,407,230</u>
Total equity and liabilities		<u>168,555,972</u>	<u>680,460,459</u>	<u>163,377,982</u>	<u>659,556,914</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 2017

	Note	Year ended 31 December 2017		Three-month period ended 31 December 2017		Year ended 31 December 2016		Three-month period ended 31 December 2016	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Revenue	14	18,856,296	76,273,717	4,758,681	19,206,571	16,300,422	66,065,610	4,017,939	16,235,576
Cost of sales and services	15	(6,460,794)	(26,133,912)	(1,616,405)	(6,523,825)	(5,619,645)	(22,776,421)	(1,600,311)	(6,469,983)
Gross profit		<u>12,395,502</u>	<u>50,139,805</u>	<u>3,142,276</u>	<u>12,682,746</u>	<u>10,680,777</u>	<u>43,289,189</u>	<u>2,417,628</u>	<u>9,765,593</u>
Other income		603,968	2,443,051	164,554	664,303	967,904	3,922,915	315,848	1,277,524
General administration and selling expenses	16	(5,561,219)	(22,495,131)	(1,479,323)	(5,971,616)	(5,619,730)	(22,776,766)	(1,447,651)	(5,850,641)
Net operating income		<u>7,438,251</u>	<u>30,087,725</u>	<u>1,827,507</u>	<u>7,375,433</u>	<u>6,028,951</u>	<u>24,435,338</u>	<u>1,285,825</u>	<u>5,192,476</u>
Finance costs		(1,254,767)	(5,075,533)	(333,307)	(1,345,463)	(1,272,385)	(5,156,976)	(340,881)	(1,377,864)
Profit before income tax		<u>6,183,484</u>	<u>25,012,192</u>	<u>1,494,200</u>	<u>6,029,970</u>	<u>4,756,566</u>	<u>19,278,362</u>	<u>944,944</u>	<u>3,814,612</u>
Income tax expense	12	(821,651)	(3,323,578)	(190,932)	(770,427)	(669,176)	(2,712,170)	(133,509)	(538,969)
Net profit for the year/period		<u>5,361,833</u>	<u>21,688,614</u>	<u>1,303,268</u>	<u>5,259,543</u>	<u>4,087,390</u>	<u>16,566,192</u>	<u>811,435</u>	<u>3,275,643</u>

Phnom Penh Autonomous Port

Condensed interim statement of profit or loss and other comprehensive income (continued) for the quarter ended 31 December 2017

Note	Year ended 31 December 2017		Three-month period ended 31 December 2017		Year ended 31 December 2016		Three-month period ended 31 December 2016	
	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	(27,304)	(110,445)	(28,803)	(116,513)	47,626	193,028	55,571	225,261
	5,334,529	21,578,169	1,274,465	5,143,030	4,135,016	16,759,220	867,006	3,500,904

The earnings per share attributable to shareholders of the Phnom Penh Autonomous Port for the quarter ended 31 December 2017 are as follows:

Basic earnings per share	0.26	1.05	0.06	0.25	0.20	0.80	0.04	0.15
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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 2017

	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 for Class B shareholders	-	-	-	-	-	(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	2,385,629	2,385,629	40,881,762	12,820,184	4,240,532	521,149,684

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 2017

	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 2017	114,453,485	155,502	590,941	590,941	10,126,768	3,175,671	-	129,093,308
<i>Transaction with owners of PPAP</i>								
Dividends for Class B shareholders	-	-	-	-	-	(538,038)	-	(538,038)
Dividends for Class A shareholders (Note 9)	-	-	-	-	-	(52,467)	-	(52,467)
	-	-	-	-	-	(590,505)	-	(590,505)
<i>Total comprehensive incomes</i>								
Net profit for the year	-	-	-	-	-	5,361,833	-	5,361,833
Other comprehensive income	-	-	-	-	-	(27,304)	-	(27,304)
Transfers	-	-	204,370	204,370	2,228,893	(2,637,633)	-	-
	-	-	204,370	204,370	2,228,893	2,696,896	-	5,334,529
At 31 December 2017	114,453,485	155,502	795,311	795,311	12,355,661	5,282,062	-	133,837,332
At 31 December 2017 (KHR'000 – Note 4)	457,813,940	622,008	3,210,671	3,210,671	49,879,803	21,323,684	4,240,532	540,301,309

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 2017

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Operating activities				
Net profit for the year	5,361,833	21,688,614	4,087,390	16,566,192
Adjustments for:				
Income tax expense	821,651	3,323,578	669,176	2,712,170
Depreciation of property, plant and equipment and investment property	2,894,175	11,706,938	2,378,131	9,638,565
Property, plant and equipment written off	-	-	14,090	57,107
Foreign exchange difference	3,795	15,351	5,607	22,725
Provision for retirement benefits	90,982	368,022	95,688	387,823
Finance costs	1,254,767	5,075,533	1,272,385	5,156,976
	<u>10,427,203</u>	<u>42,178,036</u>	<u>8,522,467</u>	<u>34,541,558</u>
Changes in:				
Trade and other receivables	(74,527)	(301,462)	(21,601)	(87,549)
Trade and other payables	178,629	722,554	116,749	473,187
	<u>10,531,305</u>	<u>42,599,128</u>	<u>8,617,615</u>	<u>34,927,196</u>
Interest paid	(1,159,186)	(4,688,907)	(1,159,186)	(4,698,181)
Income tax paid	(496,526)	(2,008,448)	(709,926)	(2,877,331)
Withholding tax credit	(19,328)	(78,182)	(9,786)	(39,663)
Employee benefit paid	(32,966)	(133,348)	(39,295)	(159,263)
	<u>8,823,299</u>	<u>35,690,243</u>	<u>6,699,422</u>	<u>27,152,758</u>
Net cash generated from operating activities	<u>8,823,299</u>	<u>35,690,243</u>	<u>6,699,422</u>	<u>27,152,758</u>
Investing activities				
Purchase of property, plant and equipment	(3,029,290)	(12,253,478)	(7,611,051)	(30,847,590)
Purchase of investment property	(1,893)	(7,657)	(551,676)	(2,235,943)
	<u>(3,031,183)</u>	<u>(12,261,135)</u>	<u>(8,162,727)</u>	<u>(33,083,533)</u>
Net cash used in investing activities	<u>(3,031,183)</u>	<u>(12,261,135)</u>	<u>(8,162,727)</u>	<u>(33,083,533)</u>

Phnom Penh Autonomous Port

Condensed interim statement of cash flows (continued) for the quarter ended 31 December 2017

	Year ended 31 December 2017		Year ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Financing activities				
Dividend paid	(825,661)	(3,339,799)	(534,427)	(2,166,033)
Net cash used in financing activities	(825,661)	(3,339,799)	(534,427)	(2,166,033)
Net increase/(decrease) in cash and cash equivalents	4,966,455	20,089,309	(1,997,732)	(8,096,808)
Cash and cash equivalents at 1 January	6,751,489	27,255,761	8,749,221	35,434,345
Currency translation difference	-	(39,730)	-	(81,776)
Cash and cash equivalents at 31 December (Note 8)	11,717,944	47,305,340	6,751,489	27,255,761

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 2017

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.ប្រកាស 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;

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2017

1. Reporting entity (continued)

- 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;
- 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 2017, PPAP had 560 employees (as at 31 December 2016: 475 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 2016.

These condensed interim financial information were authorised for issue by the Company’s Board of Directors on 13 February 2018.

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2017

2. Basis of preparation (continued)

(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.

(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 2016.

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).

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2017

2. Basis of preparation (continued)

(c) Use of estimate and judgements (continued)

Measurement of fair values (continued)

- 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.

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 2016.

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 ("KHR") are included solely for meeting the presentation requirements pursuant to Law on Accounting and Auditing.

Assets and liabilities are translated at the closing rate as at the reporting date; and share capital account is translated at the historical rate. The statements of comprehensive income and cash flows are translated into KHR using the average rate for the year. Exchange differences arising from the translation are recognised as "Currency Translation Difference" in the other comprehensive income.

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2017

4. Translation of United States Dollars into Khmer Riel (continued)

The Company uses the following official closing and average rate of exchange for the translation:

For the year ended	Closing rate	Average rate
31 December 2017	4,037	4,045
31 December 2016	4,037	4,053

These convenience translations should not be construed as representations that the United States Dollars 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. Seasonality of operations

The demand for the Company's service is subject to seasonal fluctuation as a result of the high demand for, mainly, garment commodity, rice, textile raw materials and construction materials. Historically, peak demand is starting from the second quarter of the year and getting higher and reaching peak demand in the third quarter of the year attributed to the high volume of export to the United States of America and import from China and Vietnam.

6. Property, plant and equipment

During the year ended 31 December 2017, the Company acquired the property, plant and equipment amounting to US\$3,029,290 (year ended 31 December 2016: US\$7,611,051), depreciation amounting to US\$2,830,665 (year ended 31 December 2016: US\$2,321,528) was charged to profit or loss.

7. Trade and other receivables

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Trade receivables	2,511,759	10,139,971	2,068,942	8,352,319
Advances, prepayments and others	497,549	2,008,605	688,812	2,780,734
Staff loans*	-	-	177,027	714,658
	<u>3,009,308</u>	<u>12,148,576</u>	<u>2,934,781</u>	<u>11,847,711</u>

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2017

7. Trade and other receivables (continued)

* 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.

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.

8. Cash and cash equivalents

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Cash in banks	11,714,129	47,289,939	6,746,586	27,235,968
Cash on hand	3,815	15,401	4,903	19,793
	<u>11,717,944</u>	<u>47,305,340</u>	<u>6,751,489</u>	<u>27,255,761</u>

9. Share capital and share premium

	As at 31 December 2017		As at 31 December 2016	
	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>114,453,485</u>	<u>457,813,940</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).

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2017

9. Share capital and share premium (continued)

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.

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 6 March 2017, the Board of Directors of PPAP resolved to distribute the dividends in respect to the net profit for the year 2016 to shareholders of each class of share as follows:

- Class A shareholders is entitled to total guaranteed dividends of US\$261,298 (equivalent to KHR1,059,039,488) and was paid on 30 March 2017. The guaranteed dividend declared in 2016 to class A shareholder of US\$26,325 was also paid on the same date.
- Class B shareholders is entitled to total dividends of US\$538,038 (equivalent to KHR2,150,000,000) and was paid on 14 July 2017.

In accordance with the Board of Directors' meeting on 27 October 2017 and the public announcement of PPAP on 31 October 2017, PPAP would consider distributing additional dividends of 1% (amounting to US\$52,467) in addition to the original guaranteed dividend of 5% of the IPO price to Class A shareholders for the year 2017 in case the financial operation of PPAP for the year 2017 meet the target. In 2018, the Board of Directors issued a resolution to approve this dividend and record this additional dividend of US\$52,467 in the financial statements for the year ended 31 December 2017.

Total shares of PPAP are summarised as follows:

Class	Number of shares	Par value US\$	Premium US\$	As at	Classification
				31 December 2017 US\$	
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 2017

10. Borrowings

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Non-current portion				
Phnom Penh Port - New Container Terminal Project ("PPPNCTP") or Phnom Penh Port LM17	26,909,663	108,634,310	28,979,637	116,990,795
Current portion				
Phnom Penh Port - New Container Terminal Project ("PPPNCTP") or Phnom Penh Port LM17	2,069,974	8,356,485	-	-

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.

The Company shall repay the principal amount in equal semi-annual instalments on 20th February and 20th August of each fiscal year, commencing in 2018 and ending on the last payment date in 2031. The amount of each instalment shall be equal to US\$2,069,974.

11. Provision for retirement benefits

		As at 31 December 2017		As at 31 December 2016	
		US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Defined benefit plan	(i)	597,461	2,411,950	514,207	2,075,853
Other benefits	(ii)	21,818	88,079	19,752	79,739
		619,279	2,500,029	533,959	2,155,592

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2017

11. Provision for retirement benefits (continued)

(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 2017

11. Provision for retirement benefits (continued)

(i). Defined benefit plan (continued)

Expenses recognised in profit or loss:

	Year ended 31 December 2017		Three-month period ended 31 December 2017		Year ended 31 December 2016		Three-month period ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Service costs	35,536	143,743	8,884	35,856	41,385	167,733	10,377	41,934
Interest costs	33,628	136,025	8,668	34,987	34,551	140,035	8,661	35,000
	<u>69,164</u>	<u>279,768</u>	<u>17,552</u>	<u>70,843</u>	<u>75,936</u>	<u>307,768</u>	<u>19,038</u>	<u>76,934</u>

Actuarial assumptions:

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

Discount rate *	6.25%
Future salary increases	21.00% per annum, and gradually decreasing to 5% per annum for both basic and total salary
Mortality	Thailand Mortality Ordinary Life Table 2017
Disability	10.00% of mortality rate
Retirement ages	55, 58 and 60 depending on the categories of employees
Turnover rate	1.10%

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2017

11. 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 2017 (TM2017) without modification (see below for comparison). The rates are published as a standard table TM2017. 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 TM2017

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 2017

12. Taxation

(a) Deferred tax, net

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Deferred tax assets	112,517	454,231	112,119	452,623
Deferred tax liabilities	(1,526,813)	(6,163,744)	(1,295,820)	(5,231,224)
	<u>(1,414,296)</u>	<u>(5,709,513)</u>	<u>(1,183,701)</u>	<u>(4,778,601)</u>

Deferred tax (liabilities)/assets are attributable to:

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Depreciation	(1,526,814)	(6,163,748)	(1,295,820)	(5,231,226)
Provision for retirement benefits	107,654	434,599	103,939	419,602
Deferred income	3,797	15,328	7,593	30,653
Foreign exchange difference	1,067	4,308	587	2,370
	<u>(1,414,296)</u>	<u>(5,709,513)</u>	<u>(1,183,701)</u>	<u>(4,778,601)</u>

(b) Provision for income tax

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
At 1 January	489,261	1,975,147	640,881	2,595,568
Charge during the period/year	583,791	2,361,435	499,047	2,022,637
Prior year's under provision	7,265	29,386	69,045	279,839
Effect of WHT Credit	(19,328)	(78,182)	(9,786)	(39,663)
Income tax paid	(496,526)	(2,008,448)	(709,926)	(2,877,331)
Currency translation difference	-	(601)	-	(5,903)
	<u>564,463</u>	<u>2,278,737</u>	<u>489,261</u>	<u>1,975,147</u>

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2017

12. Taxation (continued)

(c) Income tax expense

	Year ended 31 December 2017		Three-month period ended 31 December 2017		Year ended 31 December 2016		Three-month period ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Current income tax	583,791	2,361,435	139,006	560,945	499,047	2,022,637	92,007	371,277
Prior year's under provision	7,265	29,386	-	-	69,045	279,839	-	-
Deferred tax	230,595	932,757	51,926	209,482	101,084	409,694	41,502	167,692
	<u>821,651</u>	<u>3,323,578</u>	<u>190,932</u>	<u>770,427</u>	<u>669,176</u>	<u>2,712,170</u>	<u>133,509</u>	<u>538,969</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 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 submitted 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 with the tax incentive of 3 years starting from 2016.

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2017

12. 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 សវ័ត្ត.ប្រក 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 2017		Three-month period ended 31 December 2017		Year ended 31 December 2016		Three-month period ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Profit before income tax	6,183,484	25,012,192	1,494,200	6,029,970	4,756,566	19,278,362	944,944	3,814,612
Income tax using approved tax rate at 20%	1,236,697	5,002,438	298,840	1,205,994	951,313	3,855,672	188,989	762,924
Effect of tax incentive	(709,839)	(2,871,297)	(192,737)	(778,069)	(397,611)	(1,611,518)	(16,449)	(65,144)
Prior year's under provision	7,265	29,386	-	-	69,045	279,839	-	-
Effect of non-deductible expenses	287,528	1,163,051	84,829	342,502	46,429	188,177	(39,031)	(158,811)
Income tax expense	821,651	3,323,578	190,932	770,427	669,176	2,712,170	133,509	538,969

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 2017

13. Trade and other payables

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Accrued operating expenses	945,783	3,818,126	918,408	3,707,613
Trade payables	406,795	1,642,232	458,922	1,852,668
Customer deposits	248,114	1,001,636	166,800	673,372
Interest payable	441,422	1,782,021	441,422	1,782,021
Other tax payables	153,355	619,094	31,288	126,310
Provision for dividend/ dividend payable	52,467	211,809	26,325	106,274
Guaranteed dividends payable	262,949	1,061,525	261,298	1,054,860
	<u>2,510,885</u>	<u>10,136,443</u>	<u>2,304,463</u>	<u>9,303,118</u>

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2017

14. Revenue

	Year ended 31 December 2017		Three-month period ended 31 December 2017		Year ended 31 December 2016		Three-month period ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Stevedoring	7,737,469	31,298,062	1,917,126	7,737,314	6,710,037	27,195,780	1,639,954	6,626,453
Lift On Lift Off (LOLO)	6,598,109	26,689,351	1,646,966	6,647,124	5,353,929	21,699,474	1,377,231	5,566,010
Port dues & charges	3,165,619	12,804,929	883,454	3,566,725	2,874,300	11,649,538	786,020	3,177,386
Sand dredging management fee	38,475	155,631	-	-	318,731	1,291,817	23,962	95,939
Survey	191,146	773,186	29,543	119,015	9,330	37,814	9,330	37,814
Gate fee	670,329	2,711,481	164,532	664,015	550,089	2,229,511	129,545	523,364
Storage fee	426,073	1,723,465	110,250	445,013	478,458	1,939,190	50,024	201,033
Trucking fee	728	2,945	-	-	1,609	6,521	82	326
Weighting fee	28,129	113,782	6,810	27,365	3,939	15,965	1,791	7,251
Repair and maintenance container service	219	885	-	-	-	-	-	-
	<u>18,856,296</u>	<u>76,273,717</u>	<u>4,758,681</u>	<u>19,206,571</u>	<u>16,300,422</u>	<u>66,065,610</u>	<u>4,017,939</u>	<u>16,235,576</u>

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2017

15. Cost of sales and services

	Year ended 31 December 2017		Three-month period ended 31 December 2017		Year ended 31 December 2016		Three-month period ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Depreciation	2,508,858	10,148,331	641,724	2,590,173	1,992,954	8,077,443	501,843	2,028,006
Crane charge	1,515,938	6,131,969	334,338	1,348,852	1,370,814	5,555,909	345,330	1,395,520
Salaries and wages	1,198,001	4,845,914	308,882	1,246,760	1,060,911	4,299,872	272,814	1,102,562
Fuel and gasoline	608,478	2,461,294	152,466	615,357	309,975	1,256,329	78,920	318,939
Maintenance costs	384,294	1,554,469	131,391	530,718	536,746	2,175,432	228,431	924,598
Sand dredging management cost	38,507	155,761	184	629	183,713	744,589	102,042	413,250
Survey costs	7,472	30,224	2,164	8,737	7,021	28,456	1,810	7,315
Repair and maintenance container fee	187	756	-	-	-	-	-	-
Others	199,059	805,194	45,256	182,599	157,511	638,391	69,121	279,793
	<u>6,460,794</u>	<u>26,133,912</u>	<u>1,616,405</u>	<u>6,523,825</u>	<u>5,619,645</u>	<u>22,776,421</u>	<u>1,600,311</u>	<u>6,469,983</u>

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2017

16. General administration and selling expenses

	Year ended 31 December 2017		Three-month period ended 31 December 2017		Year ended 31 December 2016		Three-month period ended 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Salaries and other benefits	3,146,171	12,726,262	786,591	3,174,682	3,032,149	12,289,300	764,485	3,089,387
Donation expenses	386,613	1,563,850	153,978	622,144	400,542	1,623,397	143,582	580,910
Utilities and fuel	440,500	1,781,823	116,064	468,506	409,683	1,660,445	97,556	394,146
Depreciation	385,317	1,558,607	89,844	362,532	385,177	1,561,122	101,167	408,893
Repairs and maintenance	137,181	554,897	33,261	134,229	198,069	802,774	37,124	149,820
Business entertainments	192,023	776,733	24,836	99,960	163,182	661,377	37,007	149,485
Travelling expenses	109,725	443,838	31,597	127,576	132,838	538,392	26,983	108,938
Professional fee	51,218	207,177	24,800	100,237	59,742	242,134	30,795	124,696
Board of Directors' fee	209,220	846,295	52,430	211,609	208,818	846,339	52,371	211,634
Office and material supplies	102,571	414,900	19,962	80,499	129,197	523,635	36,391	147,121
Communication expenses	53,846	217,807	13,444	54,260	57,349	232,435	14,797	59,802
Other tax expenses	30,710	124,222	6,834	27,572	108,646	440,342	23,753	95,931
Others	316,124	1,278,720	125,682	507,810	334,338	1,355,074	81,640	329,878
	<u>5,561,219</u>	<u>22,495,131</u>	<u>1,479,323</u>	<u>5,971,616</u>	<u>5,619,730</u>	<u>22,776,766</u>	<u>1,447,651</u>	<u>5,850,641</u>

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2017

17. 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 2017		Three-month period ended 31 December 2017		Year ended 31 December 2016		Three-month period ended 31 December 2016	
	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	4,688,907	309,404	1,248,989	1,159,186	4,698,181	312,624	1,263,679
MEF and MPWT:								
Donation and charities	74,276	300,445	15,227	61,415	25,960	105,216	5,425	21,906
With Directors:								
Directors' remuneration	209,220	846,295	52,430	211,609	208,818	846,339	52,371	211,634

Phnom Penh Autonomous Port

Notes to the condensed interim financial information (continued) for the quarter ended 31 December 2017

17. Related party transactions and balances (continued)

(b) Significant balances with related parties

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Borrowings from Eximbank through MEF	28,979,637	116,990,795	28,979,637	116,990,795
Interest payable on borrowings	441,422	1,782,021	441,422	1,782,021
	<u>29,421,059</u>	<u>118,772,816</u>	<u>29,421,059</u>	<u>118,772,816</u>

18. Commitments

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

	As at 31 December 2017		As at 31 December 2016	
	US\$	KHR'000 (Note 4)	US\$	KHR'000 (Note 4)
Within 1 year	55,767	225,131	55,767	225,131
Within 2 to 3 years	2,633	10,629	58,401	235,765
	<u>58,400</u>	<u>235,760</u>	<u>114,168</u>	<u>460,896</u>

19. 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.