Registration No:
Inv. 1279 E/2007

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(INCORPORATED IN CAMBODIA)

AUDITED FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
31 DECEMBER 2015

Registration No:
Inv. 1279 E/2007

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)

CORPORATE INFORMATION

DIRECTORS:	Yang Shaw Shin Liao Chun-Te Wang Yi Ting Chen Tsung-Chi Ly Kunthai
REGISTERED OFFICE:	Phum Trapaingpoe Sangkat Chom Chao Khan Posenchey Phnom Penh Cambodia
PRINCIPAL BANKERS:	Cambodian Public Bank First Commercial Bank Mega International Commercial Phnom Penh Branch ACLEDA Bank Plc. Union Commercial Bank Plc.
AUDITORS:	BDO (Cambodia) Limited

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GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of Grand Twins International (Cambodia) Plc ("the Company") for the financial year ended 31 December 2015.

Principal activity

The principal activity of the Company is manufacturing of garments. There have been no significant changes in the nature of this activity during the financial year.

Results of operations

	US$	KHR'000
Profit for the financial year	1,066,913	4,320,995

Dividend

Dividend paid since the end of the previous financial year was as follows:

	US$	KHR'000
In respect of financial year ended 31 December 2014:		
First and final dividend of US$0.04 per ordinary share, less tax of 7%, paid on 22 June 2015	1,733,888	7,022,246

Reserves and provisions

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

Bad and doubtful debts

Before the statement of profit or loss and other comprehensive income and statement of financial position were made out, the Directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that there were no known bad debts and that allowance need not be made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render it necessary to write off bad debts or to make allowance for doubtful debts in the financial statements of the Company.

Current assets

Before the statement of profit or loss and other comprehensive income and statement of financial position were made out, the Directors took reasonable steps to ensure that for any current assets which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Company have been written down to an amount expected if realised.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company misleading.

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Valuation methods

At the date of this report, the Directors are not aware of any circumstances, which have arisen and which may render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

Contingent and other liabilities

At the date of this report, there does not exist:

(i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or

(ii) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

Change of circumstances

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or in the financial statements of the Company, which would render any amount stated in the financial statements as misleading.

Items of an unusual nature

The results of the operations of the Company during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Company for the financial year for which this report is made.

Share capital

The Company did not issue any shares during the current financial year.

No option to take up unissued shares in the Company was granted during the financial year and there were no shares under options at the end of the financial year in respect of shares in the Company.

Directors

The Directors who have held for office since the date of the last report are:

Yang Shaw Shin	
Liao Chun-Te	
Wang Yi Ting	(appointed on 23 November 2015)
Su Yu Chin	(resigned on 23 November 2015)
Chen Tsung Chi	
Ly Kunthai	

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Directors' benefits

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other corporate body.

Since the end of the previous financial year, the Directors have not received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Directors' responsibility in respect of the financial statements

The Directors are responsible to ascertain that the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and cash flows for the financial year then ended. In preparing these financial statements, the Directors are required to:

(a) adopt appropriate accounting policies which are supported by reasonable judgements and estimates and then apply them consistently;

(b) comply with the disclosure requirements of the Cambodian International Financial Reporting Standards ("CIFRSs") or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;

(c) maintain adequate accounting records and an effective system of internal controls;

(d) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue its operations in the foreseeable future; and

(e) control and direct effectively the Company in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the financial statements.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)

DIRECTORS' REPORT (continued)

Statement by the Directors

In the opinion of the Directors, the financial statements set out on pages 7 to 38 have been drawn up in accordance with Cambodian International Financial Reporting Standards so as to give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors,

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC.
KINGDOM OF CAMBODIA

Liao Chung-Te
Director

Chen Tsung-Chi
Director

Phnom Penh, Cambodia
Date: 16 March 2016

BDO

Tel: +855 23 218 128
Fax:+855 23 993 225
www.bdo.com.kh

Suite 28 Hotel Cambodiana
313 Sisowath Quay
Phnom Penh
Kingdom of Cambodia

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)
(Registration No: Inv. 1279 E/2007)

Report on the Financial Statements

We have audited the accompanying financial statements of Grand Twins International (Cambodia) Plc ("the Company"), which comprise statement of financial position as at 31 December 2015, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 7 to 38.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Cambodian International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Cambodian International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)
(Registration No: Inv. 1279 E/2007) (continued)

Report on the Financial Statements (continued)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, and of its financial performance and cash flows for the financial year then ended in accordance with Cambodian International Financial Reporting Standards.

BDO

BDO (Cambodia) Limited

Phnom Penh, Cambodia
Date: 16 March 2016

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Note	2015 US$	2015 KHR'000	2014 US$
ASSETS				
Non-current assets				
Property, plant and equipment	7	11,598,357	46,973,346	9,114,103
Intangible assets	8	9,851	39,896	10,231
Deferred tax assets	9	-	-	171,642
		11,608,208	47,013,242	9,295,976
Current assets				
Inventories	10	8,989,075	36,405,754	8,399,133
Trade and other receivables	11	53,413,866	216,326,157	47,677,904
Cash and bank balances	12	1,260,691	5,105,799	5,786,943
		63,663,632	257,837,710	61,863,980
TOTAL ASSETS		75,271,840	304,850,952	71,159,956
EQUITY AND LIABILITIES				
Equity				
Share capital	13	10,000,000	40,500,000	10,000,000
Share premium	14	17,280,000	69,984,000	17,280,000
Retained earnings		35,938,457	145,550,751	36,605,432
TOTAL EQUITY		63,218,457	256,034,751	63,885,432
LIABILITIES				
Non-current liability				
Deferred tax liabilities	9	237	960	-
Current liabilities				
Other payables	15	3,732,362	15,116,066	2,065,168
Borrowing	16	4,000,000	16,200,000	-
Current tax liabilities		4,320,784	17,499,175	5,209,356
		12,053,146	48,815,241	7,274,524
TOTAL LIABILITIES		12,053,383	48,816,201	7,274,524
TOTAL EQUITY AND LIABILITIES		75,271,840	304,850,952	71,159,956

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 US$	2015 KHR'000	2014 US$
Revenue	17	56,775,078	229,939,066	56,611,367
Cost of sales	18	(50,298,751)	(203,709,942)	(45,014,348)
Gross profit		6,476,327	26,229,124	11,597,019
Other income	19	199,243	806,934	127,711
Administrative expenses	20	(4,458,850)	(18,058,343)	(5,145,385)
Distribution costs	21	(1,258,769)	(5,098,014)	(1,994,768)
Finance cost	22	(103,266)	(418,227)	(90,430)
Other expense		(68,219)	(276,287)	(55,765)
Profit before tax		786,466	3,185,187	4,438,382
Taxation	23	280,447	1,135,808	(966,601)
Profit for the financial year		1,066,913	4,320,995	3,471,781
Other comprehensive income, net of tax		-	-	-
Total comprehensive income for the financial year		1,066,913	4,320,995	3,471,781

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Share capital US$	Share premium US$	Retained earnings US$	Total US$
Balance as at 1 January 2014		**8,000,000**	**-**	**33,133,651**	**41,133,651**
Profit for the financial year, representing total comprehensive income		-	-	3,471,781	3,471,781
Transaction with owners					
Share issue	13	2,000,000	17,280,000	-	19,280,000
Total transaction with owners		2,000,000	17,280,000	-	19,280,000
Balance as at 31 December 2014/ 1 January 2015		**10,000,000**	**17,280,000**	**36,605,432**	**63,885,432**
Profit for the financial year, representing total comprehensive income		-	-	1,066,913	1,066,913
Transaction with owners					
Dividend paid	24	-	-	(1,733,888)	(1,733,888)
Total transaction with owners		-	-	(1,733,888)	(1,733,888)
Balance as at 31 December 2015		**10,000,000**	**17,280,000**	**35,938,457**	**63,218,457**
(KHR'000 equivalent)		***40,500,000***	***69,984,000***	***145,550,751***	***256,034,751***

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GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 US$	2015 KHR'000	2014 US$
Cash flows from operating activities				
Profit before tax		786,466	3,185,187	4,438,382
Adjustments for:				
Amortisation of intangible assets	8	3,980	16,119	2,892
Depreciation of property, plant and equipment	7	975,707	3,951,613	646,079
Interest expense	22	103,266	418,227	90,430
Interest income	19	(175,333)	(710,099)	(107,741)
Property, plant and equipment written off	7	-	-	153,649
Operating profit before working capital changes		1,694,086	6,861,047	5,223,691
Changes in working capital				
Inventories		(589,942)	(2,389,265)	(1,047,771)
Trade and other receivables		(5,691,284)	(23,049,700)	(13,993,746)
Other payables		536,009	2,170,836	(30,310)
Cash used in operations		(4,051,131)	(16,407,082)	(9,848,136)
Income tax paid		(436,246)	(1,766,796)	-
Interest paid		(103,266)	(418,227)	(90,430)
Net cash used in operating activities		(4,590,643)	(18,592,105)	(9,938,566)
Cash flows from investing activities				
Net advances from ultimate holding company		1,131,185	4,581,300	17,217
Net advances (to)/from related company		(44,678)	(180,946)	34,253
Purchases of property, plant and equipment	7	(3,459,961)	(14,012,842)	(3,670,264)
Purchase of intangible assets	8	(3,600)	(14,580)	-
Dividend paid	24	(1,733,888)	(7,022,246)	-
Interest received		175,333	710,099	107,741
Net cash used in investing activities		(3,935,609)	(15,939,215)	(3,511,053)
Cash flows from financing activities				
Proceeds from issuance of ordinary shares	13	-	-	19,280,000
Drawdown of bank borrowings		4,000,000	16,200,000	-
Repayments of bank borrowings		-	-	(472,269)
Net cash from financing activities		4,000,000	16,200,000	18,807,731
Net (decrease)/increase in cash and cash equivalents		(4,526,252)	(18,331,320)	5,358,112
Cash and cash equivalents at beginning of financial year		5,786,943	23,437,119	428,831
Cash and cash equivalents at end of financial year	12	1,260,691	5,105,799	5,786,943

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2015

1. CORPORATE INFORMATION

The Company was registered on 15 November 2007 as a Private Limited Liability Company in the Kingdom of Cambodia. On 19 February 2013, the Company made amendments to its Articles of Incorporation to change to a Public Limited Company. The Company was listed on the Cambodia Securities Exchange on 16 June 2014.

The registered office and principal place of business of the Company is located at Phum Trapaingpoe, Sangkat Chom Chao, Khan Posenchey, Phnom Penh, Cambodia.

The immediate holding company is Grand Twins International Ltd, a company incorporated in the British Virgin Islands while the ultimate holding company is QMI Industrial Co., Ltd, a company incorporated in Taiwan.

The financial statements are presented in United States Dollar ("US$"), which is also the Company's functional currency.

The financial statements were authorised for issue by the Board of the Directors on 16 March 2016.

2. PRINCIPAL ACTIVITIES

The principal activities of the Company is manufacturing of garments. There have been no significant changes in the nature of this activity during the financial period.

3. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Cambodian International Financial Reporting Standards ("CIFRSs") as issued by the National Accounting Council of the Ministry of Economy and Finance.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

The financial statements of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of financial statements in conformity with CIFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

Translations to Khmer Riel ("KHR") are presented in the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the notes to the financial statements as at and for the year ended 31 December 2015 of the Company using the official rate of exchange regulated by National Bank of Cambodia as at the reporting date, which was US$1 = KHR4,050 (2014: KHR4,075). Such translation amounts should not be construed as representations that the US$ amounts represent, or have been or could be, converted into KHR at that or any other rate.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Property, plant and equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Company is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost of the assets to their residual values over the following estimated useful lives:

Leasehold land	100 years	straight-line
Building and structure	12 years	straight-line
Plant and machinery	5 years	declining balance
Motor vehicles	4 years	declining balance
Equipment and computers	2 - 4 years	declining balance

Construction in progress represents renovation-in-progress and is stated at cost. Construction-in-progress is not depreciated until such time when the asset is available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.5 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at each financial period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Intangible assets

Intangible assets are recognised only when the identifiability, control and future economic benefit probability criteria are met. Intangible assets are initially measured at cost.

After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight line basis over the estimated economic useful lives and are assessed for any indication that the asset could be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. The amortisation expense on intangible assets with finite lives is recognised in profit or loss and is included within the other operating expenses line item.

An intangible asset has an indefinite useful life when based on the analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows to the Company. Intangible assets with indefinite useful lives are tested for impairment annually and wherever there is an indication that the carrying amount may be impaired. Such intangible assets are not amortised. Their useful lives are reviewed at the end of each reporting period to determine whether events and circumstances continue to support the indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in accounting estimate in accordance with CIAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Expenditure on an intangible item that is initially recognised as an expense is not recognised as part of the cost of an intangible asset at a later date.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset is recognised in profit or loss when the asset is derecognised.

4.4 Inventories

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

Cost is determined using the weighted average basis. The cost comprises all costs of purchase, cost of conversion plus other cost incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and finished goods includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sales.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Impairment of non-financial assets

The carrying amount of assets, except for financial assets, inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the intangible asset might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to reduce the carrying amount of the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU. The impairment loss is recognised in profit or loss immediately.

An impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised as income immediately in profit or loss.

4.6 Leases

(a) Finance leases

Assets acquired under finance leases which transfer substantially all the risks and rewards of ownership to the Company are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the Company's incremental borrowing rate is used. Any initial direct costs incurred by the Company are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Leases (continued)

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

(c) Leases of land and buildings

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and buildings are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and the buildings element of the lease at the inception of the lease.

For a lease of land and buildings in which the amount that would initially be recognised for the land element is immaterial, the land and buildings are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

4.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Company.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Company.

Financial instruments are recognised on the statement of financial position when the Company has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments (continued)

(a) Financial assets

A financial asset is classified into the following four categories after initial recognition for the purpose of subsequent measurement:

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments (continued)

(a) Financial assets (continued)

(iv) Available-for-sale financial assets (continued)

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payment is established.

Cash and cash equivalents consist of cash on hand, bank balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Financial instruments (continued)

(b) Financial liabilities (continued)

(i) Financial liabilities at fair value through profit or loss (continued)

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

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

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Impairment of financial assets

The Company assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

(a) Loans and receivables

The Company collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivables, and default or significant delay in payments to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables is reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

4.9 Income taxes

Income taxes include all taxes on taxable profit. Taxes in the statement of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws and include all taxes based upon the taxable profits.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Income taxes (continued)

(b) Deferred tax (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes related to the same taxation authority on either:

(i) The same taxable entity; or

(ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amount of deferred liabilities or assets are expected to be settled or recovered.

Deferred tax will be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply for the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

4.10 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision will be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

Provisions are not recognised for future operating losses. If the Company has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.11 Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Company, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met, as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when significant risk and rewards of ownership of the goods has been transferred to the customer and where the Company retains neither continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(b) Services

Revenue in respect of the rendering of subcontract services is recognised when the services are performed.

Revenue in respect of cut, make and pack ("CMP") services are recognised upon completion of the services and the delivery and acceptance by customers.

(c) Interest income

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

4.13 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Company.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Company.

Bonuses are recognised as an expense when there is present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Termination benefits

Termination benefits are payments due to employees as a result of the termination of employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. They are recognised as a liability and an expense when the Company has a detailed formal plan for termination with no realistic possibility of withdrawal. In the case of voluntary redundancy, the benefits are accounted for based on the number of employees expected to accept the offer.

Where termination benefits fall due more than 12 months after the end of reporting period, they are discounted to present value based on market yields at the end of reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The national currency of Cambodia is Khmer Riel ("KHR"). However, as the Company transacts its business and maintains its accounting records primarily in United States Dollar ("US$"), management have determined United States Dollar to be the Company's functional and presentation currency as it reflects the economic substance of the underlying events and circumstances of the Company.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into functional currency at rate of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

4.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5. ADOPTION OF NEW CIFRSs

5.1 New CIFRSs adopted during the current financial year

The Company adopted the following amendments during the financial year.

	Effective Date
Amendments to CIAS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Amendments to CIFRSs *Annual Improvements 2010 – 2012 Cycle*	1 July 2014
Amendments to CIFRSs *Annual Improvements 2011 – 2013 Cycle*	1 July 2014

There is no material impact upon the adoption of the above amendments during the financial year.

5.2 New CIFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2016

The following are accounting standards and amendments that have been issued but have not been early adopted by the Company.

	Effective Date
CIFRS 14 *Regulatory Deferral Accounts*	1 January 2016
Amendments to CIFRS 10 and CIAS 28 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*	Deferred
Amendments to CIFRS 10, CIFRS 12 and CIAS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to CIAS 1 *Disclosure Initiative*	1 January 2016
Amendments to CIAS 16 and CIAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to CIFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to CIAS 16 and CIAS 41 *Agriculture: Bearer Plants*	1 January 2016
Amendments to CIAS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to CIFRSs *Annual Improvements 2012 – 2014 Cycle*	1 January 2016
CIFRS 9 *Financial Instruments* (issued by IASB in July 2014)	1 January 2018
CIFRS 15 *Revenue from Contracts with Customers*	1 January 2018

The Company is in the process of assessing the impact of implementing these accounting standards and amendments, since the effects would only be observable for the future financial years.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates during the reporting period end and as at the end of the reporting period.

6.2 Critical judgements made in applying accounting policies

There are no critical judgements made by the management in the process of applying the Company's accounting policies that have the most significant effect on the amount recognised in these financial statements apart from those involving estimates, which are dealt with below.

6.3 Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation of property, plant and equipment

The cost of property, plant and equipment is depreciated on a reducing balance basis over the assets' useful lives, except for building which is depreciated using the straight line method. Management estimates the useful lives of these property, plant and equipment based on historical experience, the expected usage, wear and tear of the assets and technical obsolescence arising from changes in market demands or service output of the assets. Changes in these factors could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Tax expense

Significant judgement is involved in determining the Company's provision for income taxes. The Company will recognise liabilities for expected tax expenses based on an estimate of whether the taxes are due through management's interpretation of the various tax legislations. When the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the tax provision in the financial year in which such determination is made.

(c) Impairment of receivables

The Company determines the adequacy of impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

6.3 Key sources of estimation uncertainty (continued)

(d) Write down for obsolete or slow moving inventories

The Company determines the adequacy of the write down of obsolete or slow moving inventories based on an assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses trend and current economic trends when making a judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

(e) Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

7. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land US$	Building and structure US$	Construction in progress US$	Plant and machinery US$	Motor vehicles US$	Equipment and computers US$	Total US$
Cost							
Balance as at 1.1.2014	**3,880,000**	**2,705,278**	**-**	**2,517,597**	**28,409**	**477,227**	**9,608,511**
Additions	-		3,022,727	522,636	39,700	85,201	3,670,264
Written-off	-	(294,206)	-	-	-	-	(294,206)
Balance as at 31.12.2014	**3,880,000**	**2,411,072**	**3,022,727**	**3,040,233**	**68,109**	**562,428**	**12,984,569**
Additions	-	-	1,469,546	1,910,006	-	80,409	3,459,961
Balance as at 31.12.2015	**3,880,000**	**2,411,072**	**4,492,273**	**4,950,239**	**68,109**	**642,837**	**16,444,530**
Accumulated depreciation							
Balance as at 1.1.2014	77,600	1,382,443	-	1,525,953	21,433	357,515	3,364,944
Depreciation for the year	38,800	224,830	-	316,437	1,744	64,268	646,079
Written-off	-	(140,557)	-	-	-	-	(140,557)
Balance as at 31.12.2014	116,400	1,466,716	-	1,842,390	23,177	421,783	3,870,466
Depreciation for the year	38,800	217,475	-	641,675	11,233	66,524	975,707
Balance as at 31.12.2015	155,200	1,684,191	-	2,484,065	34,410	488,307	4,846,173
Carrying amounts							
Balance as at 31.12.2015	**3,724,800**	**726,881**	**4,492,273**	**2,466,174**	**33,699**	**154,530**	**11,598,357**
(KHR'000 equivalent)	***15,085,440***	***2,943,868***	***18,193,706***	***9,988,004***	***136,481***	***625,847***	***46,973,346***
Balance as at 31.12.2014	3,763,600	944,356	3,022,727	1,197,843	44,932	140,645	9,114,103

7. PROPERTY, PLANT AND EQUIPMENT (continued)

The depreciation charges are allocated as follows:

	2015 US$	2015 KHR'000	2014 US$
Cost of sales	855,100	3,463,155	540,508
Administrative expenses	120,607	488,458	105,571
	975,707	3,951,613	646,079

8. INTANGIBLE ASSETS

	Computer software US$
Cost	
Balance as at 1.1.2014/31.12.2014	55,007
Additions	3,600
Balance as at 31.12.2015	58,607
Accumulated amortisation	
Balance as at 1.1.2014	41,884
Amortisation for the year	2,892
Balance as at 31.12.2014	44,776
Amortisation for the year	3,980
Balance as at 31.12.2015	48,756
Carrying amounts	
Balance as at 31.12.2015	**9,851**
(KHR'000 equivalent)	*39,896*
Balance as at 31.12.2014	10,231

(a) Computer software comprises accounting software and is amortised over five years using the declining balance method.

(b) Amortisation of intangible assets is classified under cost of sales as the computer software is mainly used in production.

9. DEFERRED TAX

The movements of deferred tax (liabilities)/assets during the financial year are as follows:

	2015 US$	2015 KHR'000	2014 US$
At 1 January	171,642	695,150	122,722
Recognised in profit or loss (Note 23)	(171,879)	(696,110)	48,920
	(237)	(960)	171,642

Deferred tax liabilities/assets are in respect of property, plant and equipment as well as intangible assets.

10. INVENTORIES

	2015 US$	2015 KHR'000	2014 US$
At cost			
Raw materials	2,597,328	10,519,178	2,745,552
Work-in-progress	2,985,272	12,090,352	3,377,327
Finished goods	3,406,475	13,796,224	2,276,254
	8,989,075	36,405,754	8,399,133

During the financial year, inventories of the Company recognised as cost of sales amounted to US$31,089,925 (2014: US$27,483,814).

11. TRADE AND OTHER RECEIVABLES

	2015 US$	2015 KHR'000	2014 US$
Trade receivable			
Ultimate holding company:			
QMI Industrial Co., Ltd	52,138,517	211,160,994	46,925,229
Other receivables			
Related company:			
Success Index Group	48,552	196,636	3,874
Other receivables	257	1,041	-
Input Valued Added Taxes	982,427	3,978,829	668,667
	1,031,236	4,176,506	672,541
Loans and receivables	53,169,753	215,337,500	47,597,770
Prepayments	244,113	988,657	80,134
	53,413,866	216,326,157	47,677,904

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Company is three months (2014: three months). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Amount owing from a related company is unsecured, interest-free. Non-trade amounts are in respect of services rendered and payments made on behalf, and payable upon demand in cash and cash equivalents.

(c) Trade and other receivables are denominated in US$.

11. TRADE AND OTHER RECEIVABLES (continued)

(d) The ageing analysis of trade receivables of the Company is as follows:

	2015		2014
	US$	KHR'000	US$
Neither past due nor impaired	12,607,120	51,058,836	12,538,659
Past due, not impaired			
91 to 120 days	3,915,646	15,858,366	1,741,159
121 to 150 days	6,522,874	26,417,640	3,952,332
151 to 180 days	5,754,641	23,306,296	5,030,145
More than 180 days	23,338,236	94,519,856	23,662,934
Past due and impaired	-	-	-
	52,138,517	211,160,994	46,925,229

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Company. These customers had maintained good working relationship with the Company and there is no indication as of the end of reporting period that the debtors will not meet their payment obligations. None of the trade receivables of the Company that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Owing to the reason that no loss event had occurred to these receivables, such as significant financial difficulties, no impairment was made in respect of these past due trade receivables. These receivables are unsecured in nature.

12. CASH AND BANK BALANCES

	2015		2014
	US$	KHR'000	US$
Cash on hand	56,163	227,460	63,536
Cash at bank	1,204,528	4,878,339	5,723,407
	1,260,691	5,105,799	5,786,943

(a) The currency exposure profile of cash and bank balances is as follows:

	2015		2014
	US$	KHR'000	US$
Khmer Riel	631,854	2,559,008	385,494
US Dollar	628,837	2,546,791	5,401,449
	1,260,691	5,105,799	5,786,943

(b) For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and cash at bank.

13. SHARE CAPITAL

	2015		2014	
	Number	**US$**	**Number**	**US$**
Ordinary shares of US$0.25 each				
Authorised	200,000,000	50,000,000	200,000,000	50,000,000
(KHR'000 equivalent)		202,500,000		203,750,000
Issued and fully paid:				
At 1 January	40,000,000	10,000,000	32,000,000	8,000,000
Issued pursuant to:				
- new issue	-	-	8,000,000	2,000,000
At 31 December	40,000,000	10,000,000	40,000,000	10,000,000
(KHR'000 equivalent)		40,500,000		40,750,000

In conjunction with the listing and quotation of the Company's shares on the Cambodia Securities Exchange on 16 June 2014, the Company issued 1,123,810 and 6,876,190 new ordinary shares of US$0.25 each to the Cambodian public and selected investors respectively, at an issue price of US$2.41 per share.

As a consequence of these share issues, the issued and fully paid-up ordinary share capital of the Company was increased to US$10,000,000 (or equivalent to KHR40,750,000,000).

Other than the above, there were no issuances, cancellations, repurchases, resales and repayments of equity securities during the current financial period.

14. SHARE PREMIUM

The share premium mainly represents the excess amount received by the Company over the par value of its shares pursuant to the issuance of shares as mentioned in Note 13.

15. OTHER PAYABLES

	2015		2014
	US$	**KHR'000**	**US$**
Ultimate holding company:			
QMI Industrial Co., Ltd	1,169,833	4,737,823	38,648
Accruals	2,160,600	8,750,430	1,612,371
Withholding tax	395,523	1,601,868	412,780
Other payables	6,406	25,945	1,369
	3,732,362	15,116,066	2,065,168

(a) Amount owing to ultimate holding company is in respect of payments made on behalf, which are unsecured, interest-free and payable upon demand in cash and cash equivalents.

(b) Other payables are denominated in US$.

16. BORROWING

	2015 US$	2015 KHR'000	2014 US$
Term loan	4,000,000	16,200,000	-

With reference to the Loan Agreement dated 20 May 2015, the Company was provided with a short term loan of up to US$6,400,000 (revolving) from First Commercial Bank, Phnom Penh Branch.

The period of the loan is one year and the maturity date is according to the mention in each promissory note. The annual interest on the loan is the floating rate of six months LIBOR plus 4.6%. Interest is calculated on the basis of 360 days per year and payable on a monthly basis.

Term loan is secured by the following:

(a) Letters of guarantee by Mr. Yang Shaw Shin;
(b) First Mortgage on the land of title deed No. 12050501-0119, dated on 9 April 2013 located at Phum Chum Pou Voin, Tropaing Por, Sangkat Chom Chao, Khan Dangkor, Phnom Penh, Cambodia (Note 7); and
(c) All present and future assets of the Company.

17. REVENUE

	2015 US$	2015 KHR'000	2014 US$
Sales of goods	54,456,009	220,546,836	55,727,366
Subcontract revenue	1,103,418	4,468,843	287,701
CMP revenue	1,215,651	4,923,387	596,300
	56,775,078	229,939,066	56,611,367

18. COST OF SALES

	2015 US$	2015 KHR'000	2014 US$
Direct materials	32,228,483	130,525,356	28,749,186
Direct labour	9,396,414	38,055,477	9,293,396
Overhead	8,673,854	35,129,109	6,971,766
	50,298,751	203,709,942	45,014,348

19. OTHER INCOME

	2015 US$	2015 KHR'000	2014 US$
Interest income	175,333	710,099	107,741
Others	23,910	96,835	19,970
	199,243	806,934	127,711

20. ADMINISTRATIVE EXPENSES

	2015 US$	2015 KHR'000	2014 US$
Depreciation of property, plant and equipment	120,607	488,458	105,571
Entertainment expenses	17,951	72,702	14,159
Equipment rental	9,390	38,030	7,980
Personnel costs	1,008,013	4,082,453	963,321
Postage and stamp	38,812	157,189	37,563
Professional service fees	451,883	1,830,126	1,690,175
Property insurance	25,081	101,578	15,899
Property, plant and equipment written off	-	-	153,649
Repair and maintenance	30,322	122,804	18,494
Research and development costs	1,734,044	7,022,878	1,454,510
Stationeries	110,048	445,694	86,403
Traveling expenses	12,773	51,731	25,767
Others	899,926	3,644,700	571,894
	4,458,850	18,058,343	5,145,385

21. DISTRIBUTION COSTS

	2015 US$	2015 KHR'000	2014 US$
Commission	94,123	381,198	-
Freight outwards	191,138	774,109	904,350
Custom fee and document fee	943,508	3,821,207	1,035,638
Others	30,000	121,500	54,780
	1,258,769	5,098,014	1,994,768

22. FINANCE COST

	2015 US$	2015 KHR'000	2014 US$
Interest expense on term loan	103,266	418,227	90,430

23. TAX EXPENSE

	2015 US$	2015 KHR'000	2014 US$
Income tax expense:			
Current year	126,949	514,145	1,015,521
Over provision in prior year	(579,275)	(2,346,062)	-
	(452,326)	(1,831,917)	1,015,521
Deferred tax (Note 9):			
Origination and reversal of temporary differences	171,879	696,110	(48,920)
Total	(280,447)	(1,135,808)	966,601

Under the Law on Taxation, the Company has an obligation to pay tax on profit at 10% (2014: 10%) of taxable profit or minimum tax at 1% (2014: 1%) of total turnover, whichever is higher. The reduction of 10% to the applicable tax rate is an incentive given by the General Department of Taxation for three years from 2014 to 2016. The tax rate will revert to 20% for the financial year ending 31 December 2017.

23. TAX EXPENSE (continued)

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Company is as follows:

	2015 US$	KHR'000	2014 US$
Profit before tax	786,466	3,185,187	4,438,382
Tax at Cambodian statutory tax rate of 20% (2014: 20%)	157,293	637,038	887,676
Tax effects in respect of:			
Non-allowable expenses	220,182	891,738	78,925
Tax incentive	(78,647)	(318,519)	-
	298,828	1,210,257	966,601
Over provision of income tax in prior year	(579,275)	(2,346,064)	-
Total	(280,447)	(1,135,807)	966,601

24. DIVIDEND

	2015 Dividend per share US$	2015 Amount of dividend US$	2014 Dividend per share US$	2014 Amount of dividend US$
First and final dividend paid	0.04	1,733,888	-	-

25. EARNINGS PER SHARE

	2015 US$	KHR'000	2014 US$
Profit attributable to ordinary equity holders	1,066,913	4,320,995	3,471,781
Weighted average number of ordinary shares in issue	40,000,000	40,000,000	32,612,022
Basic earnings per share	0.03	0.11	0.11
Diluted earnings per share	0.03	0.11	0.11

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company had no dilutive potential ordinary shares as at the period end. As such, the diluted earnings per share were equivalent to the basic earnings per share.

26. RELATED PARTY DISCLOSURES

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

The Company has controlling related party relationship with its holding company.

Key management personnel comprises persons (including the Directors of the Company) having the authority and responsibility for planning, directing and controlling the activities of the Company directly and indirectly.

(b) The Company had the following transactions with related parties during the financial year.

	2015		2014
	US$	**KHR'000**	**US$**
Ultimate holding company			
QMI Industrial Co., Ltd			
Sales	54,789,109	221,895,891	55,727,365
Purchases	28,651,350	116,037,968	25,103,112
Adjustment	333,100	1,349,055	-
Off-set with trade payables	28,651,350	116,037,968	25,103,112
Off-set with trade receivable	28,651,350	116,037,968	25,103,112
Payments on behalf for the Company	1,802,600	7,300,530	458,570
Off-set with other payables	671,415	2,719,230	475,787
Common control			
Success Index Group			
Service fees (Cut, Make & Pack)	1,211,777	4,907,698	596,300
Payments on behalf by the Company	44,836	181,586	94,347
Off-set with other payables	158	640	128,600
Advances to the Company	1,100,000	4,455,000	3,849,985
Repayments of advances by the Company	1,100,000	4,455,000	3,849,985

Balances with related parties at the end of the reporting period are disclosed in Note 11 and Note 15 to the financial statements.

The related party transactions described above were carried out on negotiated commercial terms.

27. CAPITAL COMMITMENTS

	2015		2014
	US$	**KHR'000**	**US$**
Property, plant and equipment	142,500	577,125	3,325,000

28. FINANCIAL INSTRUMENTS

(a) Capital management

The primary objective of the Company's capital management is to ensure that the Company would be able to continue as a going concern whilst maximising the return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Company remains unchanged from that in the previous financial year.

The Company manages its capital structure and makes adjustments to it, in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2015 and 31 December 2014.

The Company monitors and maintains a prudent level of total debts and to ensure compliance with any externally imposed capital requirements.

(b) Categories of financial instruments

	Loans and receivables		
	2015		**2014**
	US$	**KHR'000**	**US$**
Financial assets			
Trade and other receivables	53,169,753	215,337,500	47,597,770
Cash and bank balances	1,260,691	5,105,799	5,786,943
	54,430,444	220,443,299	53,384,713

	Other financial liabilities		
	2015		**2014**
	US$	**KHR'000**	**US$**
Financial liabilities			
Other payables	3,732,362	15,116,066	2,065,168
Borrowings	4,000,000	16,200,000	-
	7,732,362	31,316,066	2,065,168

(c) Fair value of financial instruments

The carrying amounts of financial assets and liabilities, which are classified as current assets and current liabilities, are reasonable approximation of fair value due to their short-term nature.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Company is to optimise value creation for its shareholders whilst minimising the potential adverse impact arising from volatility of the financial markets.

The Directors are responsible for setting the objectives and underlying principles of financial risk management for the Company. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits in accordance with the objectives and underlying principles approved by the Directors.

Information on the management of the related exposure is detailed below:

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to perform as contracted. The Company is mainly exposed to credit risk from credit sales. It is the Company's policy to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Company is exposed to minimal credit risk.

The Company's primary exposure to credit risk arises through its trade receivables from its customers. The credit period is three months and the Company seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management.

<u>Exposure to credit risk and credit risk concentration profile</u>

The maximum exposure to credit risk for the Company is represented by the carrying amounts of each financial asset.

At the end of the reporting period, approximately:

(i) 100% (2014: 100%) of the Company's trade receivable was due from one major customer, QMI Industrial Co., Ltd, which is the ultimate holding company.

(ii) 98% (2014: 98%) of the Company's total trade and other receivables were due from ultimate holding company and related company.

<u>Financial assets that are neither past due nor impaired</u>

Information regarding trade and other receivables that neither past due nor impaired is disclosed in Note 11. Bank balances are placed with reputable financial institutions with good standing. The Directors believe that the possibility of non-performance by the financial institution is remote on the basis of its financial strength.

<u>Financial assets that are either past due or impaired</u>

Information regarding trade and other receivables that are either past due or impaired is disclosed in Note 11.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity and cash flow risk

Liquidity and cash flow risk arises from the Company's management of working capital. It is the risk that the Company will encounter difficulty in meeting its financial obligations when due.

The Company actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In liquidity risk management strategy, the Company maintains a level of cash and cash equivalents deemed adequate to finance the Company's activities.

The maturity analysis for financial liabilities that shows the remaining contractual maturities based on undiscounted cash flows is as follows:

	On demand or within one year US$	One to five years US$	Over five years US$	Total US$
At 31.12.2015				
Borrowings	4,000,000	-	-	4,000,000
Other payables	3,732,362	-	-	3,732,362
Total	7,732,362	-	-	7,732,362
(KHR'000 equivalent)	*31,316,066*	-	-	*31,316,066*
At 31.12.2014				
Other payables	2,065,168	-	-	2,065,168

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Company would fluctuate because of changes in market interest rates.

The exposure of the Company to interest rate risk arises primarily from loans and borrowings. The Company manages its interest rate exposure by closely monitoring the debt market and where necessary, maintaining a prudent mix of fixed and floating rate borrowings. The Company does not use derivative financial instruments to hedge any debt obligations.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Company if interest rates at the end of reporting period changed by 10 basis points with all other variables held constant:

	2015 US$	2015 KHR'000	2014 US$
Profit net of tax			
- Increased by 0.1% (2014: 0.1%)	(2,405)	(9,741)	(1,784)
- Decreased by 0.1% (2014: 0.1%)	2,405	9,741	1,784

The sensitivity is higher in 2015 than in 2014 because of an increase in outstanding borrowings during the financial year. The assumed movement in basis points for interest rate sensitivity analysis is based on current observable market environment.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Interest rate risk (continued)

The following tables set out the carrying amounts as at the end of the reporting period and the remaining maturities of the financial instruments of the Company that are exposed to interest rate risk:

As at 31 December 2015	Note	Weighted average effective interest rate %	Within 1 year US$	1 - 2 years US$	Total US$
Floating rates					
Term loan	16	5.2%	4,000,000	-	4,000,000

(d) Foreign currency risk

The Company does not have any significant exposure to foreign currency risk as the maturity of the transactions of the Company are carried out in United States Dollar, which is the functional currency of the Company.

Management does not enter into currency hedging transactions since it considers that he cost of such instruments outweighs the potential risk of exchange rate fluctuations.

30. TAXATION CONTIGENCIES

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more 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 could be significant.