Financial statements and independent auditor's report

Grand Twins International (Cambodia) Plc

31 December 2017

Contents

Report of the Board of Directors

The Board of Directors has the pleasure in submitting its report and the audited financial statements of Grand Twins International (Cambodia) Plc ("the Company") as at and for the year ended 31 December 2017 ("the year").

The Company

Grand Twins International (Cambodia) Plc ("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. Thereafter, 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 at Phum Trapaingpoe, Sangkat Chom Chao, Khan Posenchey, Phnom Penh, Cambodia.

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

Principal activities

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

Results of operations

The results of the Company's operations for the year ended 31 December 2017, and the state of its affairs as at that date, are set out in the accompanying financial statements from pages 10 to 40.

On 20 June 2017, the Board of Directors approved the declaration of dividends in respect of the year ended 31 December 2016 of KHR 100 per share, amounting to a total dividend of KHR 4,000 million. The dividends were subsequently paid on 14 July 2017.

As the reporting date, the Board of Directors has yet to decide the payment of dividends for the year ended 31 December 2017.

Board of Directors

The members of the Board of Directors of the Company during the year and to the date of this report were as follows:

Name	Position
Mr Yang Shaw Shin	Chairman
Oknha Ly Kunthai	Independent Director
Mr Liao Chung-Te	Executive Director/ Chief Executive Officer
Ms Wang Yi Ting	Non-Executive Director
Mr Chen Tsung-Chi	Non-Executive Director

Auditors

The financial statements for the year ended 31 December 2017 have been audited by Grant Thornton (Cambodia) Limited.

Director's interest in the Company

The directors who held office at the end of the financial year and their interests in the shares of the Company are as follows:

	31 December 2017		31 December 2016	
	Number of shares	**Holding percentage**	Number of shares	Holding percentage
Mr Yang Shaw Shin	**1,560,000**	**3.90%**	1,560,000	3.90%
Ohkna Ly KunThai	**280,000**	**0.70%**	280,000	0.70%
Mr Liao Chung-Te	**315,616**	**0.79%**	240,000	0.60%
Mr Chen Tsung Chi	**120,000**	**0.30%**	120,000	0.30%

Board of Directors' responsibility in respect of the financial statements

The Board of Directors is responsible for ensuring that the financial statements are properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended. When preparing the financial statements, the Board of Directors is required to:

i. adopt appropriate accounting policies in accordance with Cambodian International Financial Reporting Standards ("CIFRS"), which are supported by reasonable and prudent judgements and estimates, and then apply them consistently;

ii. comply with the disclosure requirements of CIFRS 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;

iii. maintain adequate accounting records and an effective system of internal control;

iv. 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,

v. 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 Board of Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of Directors confirms that the Company has complied with the above requirements in preparing the financial statements.

Statement by the Board of Directors

In the opinion of the Board of Directors, the accompanying statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, together with the notes thereto, have been properly drawn up and give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards.

On behalf of the Board of Directors

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
KINGDOM OF CAMBODIA

Liao Chung-Te
Chief Executive Officer

Chen Tsung-Chi
Director/Chief Financial Officer

Phnom Penh, Cambodia
29 March 2018

Independent auditor's report

Grant Thornton (Cambodia) Limited
20th Floor, Canadia Tower
315 Preah Ang Duong Street
Sangkat Wat Phnom
Khan Daun Penh
Phnom Penh
Kingdom of Cambodia

T +855 23 966 520
www.grantthornton.com.kh

To the shareholders of Grand Twins International (Cambodia) Plc

Opinion

We have audited the accompanying financial statements of Grand Twins International Cambodia Plc ("the Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Grand Twins International (Cambodia) Plc as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards ("CIFRSs").

Basis for opinion

We conducted our audit in accordance with Cambodia International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") together with the ethical requirements that are relevant to our audit of financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

a. Recoverability of trade receivables

As at 31 December 2017, trade receivables that have been past due but not impaired amounted to USD39,919,503 (2016: USD36,684,891), and is owed by the ultimate holding company. The details of trade receivables and its credit risks have been disclosed in note 9 to the financial statements.

The Board of Directors determines impairment losses on trade receivables based on specific known facts or circumstances or ability of the customer to pay.

The determination of whether trade receivables is recoverable involves significant Management judgement due to the inherent subjectivity involved in making judgements in relation to credit risk exposures of a customer.

To assess the judgement of the Board of Directors on the recoverability of trade receivables, we have performed the following audit procedures:

- obtained the details of the outstanding trade receivables balance as at 31 December 2017
- reviewed evidences provided by the Board of Directors that no impairment loss is required based on its analysis of the customer's creditworthiness, past historical repayment trends; and
- performed subsequent review of cash receipts to the end of the reporting period.

Accordingly, we considered the judgement of the Board of Directors on the recoverability of trade receivables to be appropriate.

b. Revenue recognition

Market expectations and profit based targets may place pressure on Management to distort revenue recognition, therefore increasing the risk of material misstatement with respect to the existence and occurrence of revenue.

Our audit procedures to address the risk of material misstatement relating to revenue recording and recognition, which was considered to be a significant risk, included:

- Obtaining an understanding of the Company's accounting policies for revenue recognition and reviewing for appropriateness with the applicable financial reporting framework;
- Determining the criteria were consistently applied with the prior period and throughout the period;
- Performing analytical procedures on revenue and the timing of its recognition based on expectations derived from our industry knowledge, following up variances from our expectations;
- Testing journal entries posted to revenue accounts to identify unusual entries;
- Performing substantive procedures and test of details for significant revenue items; and
- Obtaining confirmation on sales of goods; cut, make and pack service revenue; and sales discount from its customer.

We found that the revenue recognised in the financial statements were appropriate and revenue recognition accounting policies have been applied consistency in accordance with the CIFRSs over the reporting period.

c. Income tax expense, deferred tax liability and taxation contingencies

The Company has an obligation to pay tax on income at 20% of taxable profit or a minimum tax at 1% of total turnover, whichever is higher.

As at and for the year ended 31 December 2017, the Company estimated deferred tax liabilities amounting to USD318,578 and income tax expense of USD509,155, respectively.

We identified that significant judgment is involved in determining the Company's provision for tax on income and deferred taxes. The taxable liabilities are recognised based on an estimation of the taxes due through the Board of Directors' interpretation of various tax legislations. Since the Company's tax returns are subject to tax review, the final tax due may be different from the amounts that were initially recognised. As part of our audit, we reviewed the Company's computation of its estimated tax on income and deferred tax for the year.

We were informed that as at the reporting date, the Company has not yet received notification of any tax reassessment audit for each of the financial years in the period ended from 31 December 2014 to 2017.

We reviewed the Company's disclosure (see note 20) on these matters and have assessed it to be in compliance with CIFRSs.

Other matter

The financial statements of the Company for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on 31 March 2017.

Other information

The Board of Directors is responsible for other information. The other information comprises the information included in its annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information prepared by Management and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors and respond to other matter in accordance with the requirements of CISA 720 (revised).

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with CIFRSs, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Grant Thornton

GRANT THORNTON (CAMBODIA) LIMITED

GRANT THORNTON (CAMBODIA) LIMITED

GRANT THORNTON (CAMBODIA) LIMITED
Certified Public Accountant and Auditors
Registered Auditors

Ronald C. Almera
Partner – Audit and Assurance

Phnom Penh, Kingdom of Cambodia
29 March 2018

Statement of financial position

	Notes	31 December 2017		31 December 2016	
		USD	**KHR'000 (Note 4)**	USD	KHR'000 (Note 4)
Assets					
Non-current					
Property, plant and equipment	6	**14,322,711**	**57,935,366**	14,851,656	59,956,135
Intangible assets	7	**18,848**	**76,240**	9,839	39,720
Non-current assets		**14,341,559**	**58,011,606**	14,861,495	59,995,855
Current					
Inventories	8	**13,951,350**	**56,433,211**	8,751,343	35,329,172
Trade and other receivables	9	**53,837,140**	**217,771,231**	57,664,292	232,790,747
Cash and cash equivalents	10	**228,537**	**924,432**	1,291,210	5,212,615
Current assets		**68,017,027**	**275,128,874**	67,706,845	273,332,534
Total assets		**82,358,586**	**333,140,480**	82,568,340	333,328,389
Equity and liabilities					
Equity					
Share capital	11	**10,000,000**	**40,450,000**	10,000,000	40,370,000
Share premium	12	**17,280,000**	**69,897,600**	17,280,000	69,759,360
Retained earnings		**40,300,707**	**163,016,360**	40,640,630	164,066,223
Total equity		**67,580,707**	**273,363,960**	67,920,630	274,195,583
Liabilities					
Non-current					
Deferred tax liabilities	20.3	**318,578**	**1,288,647**	45,664	184,346
Trade and other payables	13	**2,289,400**	**9,260,623**	2,250,000	9,083,250
Borrowings	14	**2,602,287**	**10,526,251**	-	-
Non-current liabilities		**5,210,265**	**21,075,521**	2,295,664	9,267,596
Current					
Trade and other payables	13	**3,801,290**	**15,376,218**	3,139,569	12,674,440
Borrowings	14	**4,364,615**	**17,654,868**	6,400,000	25,836,800
Profit tax payables	20.2	**1,401,709**	**5,669,913**	2,812,477	11,353,970
Current liabilities		**9,567,614**	**38,700,999**	12,352,046	49,865,210
Total liabilities		**14,777,879**	**59,776,520**	14,647,710	59,132,806
Total equity and liabilities		**82,358,586**	**333,140,480**	82,568,340	333,328,389

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

Statement of comprehensive income

	Notes	**For the year ended 31 December 2017**		For the year ended 31 December 2016	
		USD	**KHR'000 (Note 4)**	USD	KHR'000 (Note 4)
Revenue	15	**80,095,776**	**323,987,414**	82,092,471	331,407,305
Cost of sales	16	**(73,382,251)**	**(296,831,205)**	(71,834,742)	(289,996,853)
Gross profit		**6,713,525**	**27,156,209**	10,257,729	41,410,452
Other income		**74,878**	**302,882**	39,870	160,955
Administrative expenses	17	**(3,620,100)**	**(14,643,305)**	(3,816,925)	(15,408,926)
Distribution costs	18	**(1,640,297)**	**(6,635,001)**	(2,487,912)	(10,043,701)
Other expenses		**(171,881)**	**(695,259)**	(21,297)	(85,976)
Operating Profit		**1,356,125**	**5,485,526**	3,971,465	16,032,804
Finance income		**20,105**	**81,325**	20,245	81,729
Finance costs	19	**(206,998)**	**(837,307)**	(138,396)	(558,705)
Profit before income tax		**1,169,232**	**4,729,544**	3,853,314	15,555,828
Income tax (expense) benefit	20.1	**(509,155)**	**(2,059,532)**	1,388,859	5,606,824
Profit for the period		**660,077**	**2,670,012**	5,242,173	21,162,652
Other comprehensive income		**-**	**-**	-	-
Total comprehensive income for the year		**660,077**	**2,670,012**	5,242,173	21,162,652

Earnings per share attributable to shareholders of the Company during the year as follows:

	Notes	**31 December 2017**		31 December 2016	
		USD	**KHR'000 (Note 4)**	USD	KHR'000 (Note 4)
Basic earnings per share	22	**0.02**	**0.07**	0.13	0.53
Diluted earnings per share	22	**0.02**	**0.07**	0.13	0.53

Statement of changes in equity

	Notes	Share capital USD	Share premium USD	Retained earnings USD	Total USD
Balance as at 1 January 2017	11	**10,000,000**	**17,280,000**	**40,640,630**	**67,920,630**
Profit for the year		**-**	**-**	**660,077**	**660,077**
Dividends paid	21	**-**	**-**	**(1,000,000)**	**(1,000,000)**
Other comprehensive income		**-**	**-**	**-**	**-**
Balance as at 31 December 2017		**10,000,000**	**17,280,000**	**40,300,707**	**67,580,707**
KHR'000 (Note 4)		**40,450,000**	**69,897,600**	**163,016,360**	**273,363,960**
Balance as at 1 January 2016	11	10,000,000	17,280,000	35,938,457	63,218,457
Profit for the year		-	-	5,242,173	5,242,173
Dividends paid	21	-	-	(540,000)	(540,000)
Other comprehensive income		-	-	-	-
Balance as at 31 December 2016		10,000,000	17,280,000	40,640,630	67,920,630
KHR'000 (Note 4)		40,370,000	69,759,360	164,066,223	274,195,583

Statement of cash flows

	Notes	**For the year ended 31 December 2017**		For the year ended 31 December 2016	
		USD	**KHR'000 (Note 4)**	USD	KHR'000 (Note 4)
Operating activities					
Profit before income tax		**1,169,232**	**4,729,544**	3,853,314	15,555,828
Adjustments for:					
Amortisation of intangible assets	7	**15,091**	**61,043**	5,142	20,758
Depreciation of property, plant and equipment	6	**1,658,817**	**6,709,915**	1,547,260	6,246,289
Interest expense	19	**206,998**	**837,307**	138,396	558,705
Interest income		**(20,105)**	**(81,325)**	(20,244)	(81,725)
Operating profit before working capital		**3,030,033**	**12,256,484**	5,523,868	22,299,855
Changes in working capital:					
Change in inventories	8	**(5,200,007)**	**(21,034,028)**	237,732	959,724
Change in trade and other receivables	9	**(3,467,762)**	**(14,027,098)**	(4,227,619)	(17,066,897)
Change in trade and other payables	13	**(827,623)**	**(3,347,735)**	2,827,040	11,412,765
Cash generated from operating activities		**(6,465,359)**	**(26,152,377)**	4,361,021	17,605,447
Income tax paid		**(1,647,009)**	**(6,662,151)**	(74,021)	(298,823)
Interest paid	19	**(206,998)**	**(837,307)**	(138,396)	(558,705)
Net cash (used in) from operating activities		**(8,319,366)**	**(33,651,835)**	4,148,604	16,747,919
Investing activities					
Advances from/(repayments to) ultimate holding company	9, 13	**9,358,152**	**37,853,725**	(1,169,833)	(4,722,620)
Advances from/(to) related companies	9	**(534,494)**	**(2,162,028)**	(22,807)	(92,072)
Purchases of intangible assets	7	**(24,100)**	**(97,485)**	(5,130)	(20,710)
Purchases of property, plant and equipment	6	**(1,129,872)**	**(4,570,332)**	(4,800,559)	(19,379,857)
Interest received		**20,105**	**81,325**	20,244	81,725
Dividend paid		**(1,000,000)**	**(4,045,000)**	(540,000)	(2,179,980)
Net cash from (used in) investing activities		**6,689,791**	**27,060,205**	(6,518,085)	(26,313,514)
Financing activities					
Repayment of bank borrowings	14	**(13,233,098)**	**(53,527,881)**	(4,100,000)	(16,551,700)
Drawdown of borrowings	14	**13,800,000**	**55,821,000**	6,500,000	26,240,500
Net cash from financing activities		**566,902**	**2,293,119**	2,400,000	9,688,800
Net change in cash and cash equivalents		**(1,062,673)**	**(4,298,511)**	30,519	123,205
Cash and cash equivalents, at the beginning of the year		**1,291,210**	**5,212,615**	1,260,691	5,089,410
Currency translation difference		**-**	**10,328**	-	-
Cash and cash equivalents, at the end of the year		**228,537**	**924,432**	1,291,210	5,212,615

Notes to the financial statements

1 General information

Grand Twins International (Cambodia) Plc ("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. Thereafter, the Company was listed on the Cambodia Securities Exchange on 16 June 2014.

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

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

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

2 Basis of preparation and statement of compliance with CIFRS

The financial statements of the Company have been prepared in accordance with the Cambodian International Financial Reporting Standards ("CIFRSs").

The National Accounting Council of Cambodia, as mandated by Prakas (Circular) No. 068-MEF-Pr dated 8 January 2009 issued by the Ministry of Economy and Finance of Cambodia on the adoption of Cambodian Financial Reporting Standards, has decided to fully adopt International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") without modifications. The new standards are referred to as "Cambodian International Financial Reporting Standards" ("CIFRSs").

3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been early adopted by the Company.

The Board of Directors anticipates that all of the relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below. These new standards and interpretations have been issued but are not expected to have a material impact on the Company's financial statements.

IFRS 9 'Financial Instruments'

The new standard for financial instruments (IFRS 9) replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

IFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

The Company's Board of Directors has yet to assess the impact of IFRS 9 on the Company's financial statements.

IFRS 9 is effective for annual for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

The Company's Board of Directors has not yet assessed the impact of IFRS 15 on the Company's financial statements.

IFRS 15 is effective for reporting periods beginning on or after 1 January 2018.

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 and three related interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded on the statement of financial positions in the form of a right-of-use asset and a lease liability.

The Company's Board of Directors has not yet assessed the impact of IFRS 16 on the Company's financial statements.

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019.

4 Summary of significant accounting policies

4.1 Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. These accounting policies have been used throughout all periods presented in these financial statements, unless otherwise stated.

4.2 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 ("USD"), the Board of Directors has determined the USD to be the Company's currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Company.

Transactions in foreign currencies, other than USD, are translated to USD at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than USD at the reporting date are translated into USD at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the statement of comprehensive income.

The translations of USD amounts into KHR presented in the financial statements are included solely to comply with the Law on Accounting and Auditing (April 2016) and have been made using the prescribed official annual average exchange rate of USD1 to KHR4,045 for the year ended 31 December 2017 (2016: KHR4,037) as announced by the General Department of Taxation ("GDT").

Such translation amounts are unaudited and should not be construed as representations that the USD amounts represent, or have been or could be, converted into KHR at that or any other rate.

4.3 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 an asset.

Subsequent costs are included in an 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 and methods:

	Estimated useful lives	Methods
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

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.

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 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.

4.4 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 live 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 limited 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.

4.5 Impairment testing of intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is recognised for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, the Board of Directors estimates expected future cash flows from each cash-generating unit and determine a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by the Board of Directors.

4.6 Inventory

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 include 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.

4.7 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss ("FVTPL")
- available-for-sales financial assets; and
- held-to-maturity investments.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Of these categories of financial assets, the Company only has loan and receivables in its statement of financial position.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less any impairment losses. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

4.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

4.9 Equity, share premium, retained earnings and dividend payments

Share capital represents the nominal (par) value of shares that have been issued.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Retained earnings includes all current and prior period retained profits.

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

4.10 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using the liability method.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Deferred tax liabilities are generally recognised in full, although IAS 12 “Income Taxes” specifics limited exemptions.

4.11 Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

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 benefit 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 follow:

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 accepted by customers.

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 is recognised upon completion of the services and the delivery and acceptance by customers.

Interest income

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

4.13 Employee benefits

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.

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.

4.14 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

4.15 Administrative expenses and distribution costs

Administrative expenses and distribution costs are recognised in profit or loss upon utilisation of the service or as incurred.

4.16 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

5 Significant Management judgement in applying accounting policies and estimation uncertainty

When preparing the financial statements, the Board of Directors undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses which are summarised below:

Significant Management judgment

The significant Management judgement in applying the accounting policies of the Company that have the most significant effect on the financial statements is follows:

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of non-financial assets

In assessing impairment, the Board of Directors estimates the recoverable amount of each asset or cash generating units based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Inventories
Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Income 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 amount that were initially recognised, such differences will impact the tax provision in the financial year in which such determination is made.

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.

Fair value measurement
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date

6 Property, plant and equipment

	Leasehold land USD	Building and structure USD	Plant and machineries USD	Motor vehicles USD	Equipment and computer USD	Construction in progress USD	Total USD
Gross carrying amount							
Balance at 1 January 2017	3,880,000	7,032,890	9,451,697	68,109	812,393	-	21,245,089
Additions	-	-	1,099,180	-	30,692	-	1,129,872
Balance at 31 December 2017	**3,880,000**	**7,032,890**	**10,550,877**	**68,109**	**843,085**	**-**	**22,374,961**
Depreciation							
Balance at 1 January 2017	(194,000)	(2,132,756)	(3,443,996)	(45,315)	(577,366)	-	(6,393,433)
Depreciation	(38,800)	(448,566)	(1,086,200)	(10,661)	(74,590)	-	(1,658,817)
Balance at 31 December 2017	**(232,800)**	**(2,581,322)**	**(4,530,196)**	**(55,976)**	**(651,956)**	**-**	**(8,052,250)**
Carrying amount at 31 December 2017	**3,647,200**	**4,451,568**	**6,020,681**	**12,133**	**191,129**	**-**	**14,322,711**
KHR'000 (Note 4)	**14,752,924**	**18,006,593**	**24,353,655**	**49,078**	**773,116**	**-**	**57,935,366**

	Leasehold land USD	Building and structure USD	Plant and machineries USD	Motor Vehicles USD	Equipment and computer USD	Construction In progress USD	Total USD
Gross carrying amount							
Balance at 1 January 2016	3,880,000	2,411,072	4,950,239	68,109	642,837	4,492,273	16,444,530
Additions	-	129,545	4,501,458	-	169,556	-	4,800,559
Transfer	-	4,492,273	-	-	-	(4,492,273)	-
Balance at 31 December 2016	3,880,000	7,032,890	9,451,697	68,109	812,393	-	21,245,089
Depreciation							
Balance at 1 January 2016	(155,200)	(1,684,191)	(2,484,065)	(34,410)	(488,307)	-	(4,846,173)
Depreciation	(38,800)	(448,565)	(959,931)	(10,905)	(89,059)	-	(1,547,260)
Balance at 31 December 2016	(194,000)	(2,132,756)	(3,443,996)	(45,315)	(577,366)	-	(6,393,433)
Carrying amount at 31 December 2016 (USD)	3,686,000	4,900,134	6,007,701	22,794	235,027	-	14,851,656
KHR'000 (Note 4)	14,880,382	19,781,841	24,253,089	92,019	948,804	-	59,956,135

The depreciation charges are allocated as follows:

	For the year ended 31 December 2017 USD	For the year ended 31 December 2017 KHR'000 (Note 4)	For the year ended 31 December 2016 USD	For the year ended 31 December 2016 KHR'000 (Note 4)
Cost of sales	**1,557,916**	**6,301,770**	1,405,104	5,672,405
Administrative expenses	**100,901**	**408,145**	142,156	573,884
	1,658,817	**6,709,915**	1,547,260	6,246,289

7 Intangible assets

	Computer software 2017 USD	Computer software 2016 USD
Gross carrying amount		
Balance at 1 January	**63,737**	58,607
Additions	**24,100**	5,130
Balance at 31 December	**87,837**	63,737
Amortisation		
Balance at 1 January	**(53,898)**	(48,756)
Amortisation	**(15,091)**	(5,142)
Balance at 31 December	**(68,989)**	(53,898)
Carrying amount at 31 December	**18,848**	9,839
Carrying amount at 31 December (KHR'000) (Note 4)	**76,240**	39,720

- Computer software comprises accounting software and is amortised over five years using the declining balance methods
- Amortisation of intangible assets is classified under cost of sales as the computer software is mainly used in production.

8 Inventories

	31 December 2017 USD	31 December 2017 KHR'000 (Note 4)	31 December 2016 USD	31 December 2016 KHR'000 (Note 4)
Raw materials	**7,204,235**	**29,141,131**	3,002,849	12,122,502
Work-in-progress	**2,875,527**	**11,631,507**	2,832,872	11,436,304
Finished goods	**3,871,588**	**15,660,573**	2,915,622	11,770,366
	13,951,350	**56,433,211**	8,751,343	35,329,172

9 Trade and other receivables

	31 December 2017 USD	31 December 2017 KHR'000 (Note 4)	31 December 2016 USD	31 December 2016 KHR'000 (Note 4)
Trade receivables				
Amount due from ultimate holding company-QMI Industrial Co., Ltd	**47,663,333**	**192,798,182**	55,492,741	224,024,196
Other receivables				
Amount due from related party-Success Index Group (Cambodia) Ltd	**605,853**	**2,450,675**	71,359	288,076
Value-added tax receivables	**1,429,254**	**5,781,332**	1,179,031	4,759,748
Prepayments (*)	**4,138,700**	**16,741,042**	921,161	3,718,727
	6,173,807	**24,973,049**	2,171,551	8,766,551
	53,837,140	**217,771,231**	57,664,292	232,790,747

(a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Company is three months (2016: 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 in respect of services rendered and payments made on behalf, which is unsecured, interest-free and payable upon demand in cash and cash equivalents.

(*) This amount includes prepayment to a related party, Success Index Group (Cambodia) Ltd, amounting to USD1,537,405 (see note 23) for Cut, Make and Pack services.

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

	31 December 2017		31 December 2016	
	USD	**KHR'000**	USD	KHR'000
		(Note 4)		(Note 4)
Neither past due nor impaired	**7,743,830**	**31,323,793**	18,807,850	75,927,290
Past due, not impaired				
91 to 120 days	**15,002,023**	**60,683,183**	4,728,069	19,087,215
121 to 150 days	**11,767,627**	**47,600,051**	8,651,048	34,924,281
151 to 180 days	**7,653,787**	**30,959,568**	8,537,074	34,464,168
More than 180 days	**5,496,066**	**22,231,587**	14,768,700	59,621,242
	39,919,503	**161,474,389**	36,684,891	148,096,906
	47,663,333	**192,798,182**	55,492,741	224,024,196

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are with a creditworthy debtor. The debtor had maintained good working relationship with the Company and there is no indication as of the end of reporting period that the debtor will not meet its 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 nature of the balance that as due solely from its ultimate holding company which has subcontractors with creditworthy companies, such as Adidas group, Reebok, Taylor Made, Salomon, New Balance, among others, those subcontractors have been assessed as having no significant financial difficulties. Hence, no impairment was made in respect of these past due trade receivables. These receivables are unsecured in nature.

10 Cash and cash equivalents

	31 December 2017		31 December 2016	
	USD	**KHR'000**	USD	KHR'000
		(Note 4)		(Note 4)
Cash on hand	**65,497**	**264,935**	47,855	193,191
Cash at banks	**163,040**	**659,497**	1,243,355	5,019,424
	228,537	**924,432**	1,291,210	5,212,615

The currency exposure profile of cash and cash equivalents is shown below:

	31 December 2017		31 December 2016	
	USD	**KHR'000**	USD	KHR'000
		(Note 4)		(Note 4)
Khmer Riel	**19,795**	**80,071**	618,909	2,498,536
US Dollar	**208,742**	**844,361**	672,301	2,714,079
	228,537	**924,432**	1,291,210	5,212,615

11 Share capital

	31 December 2017		31 December 2016	
	Number	**USD**	Number	USD
Ordinary shares of USD 0.25 each				
Authorised	**200,000,000**	**50,000,000**	200,000,000	50,000,000
Issued and fully paid:	**40,000,000**	**10,000,000**	40,000,000	10,000,000
KHR'000 (Note 4)		**40,450,000**		40,370,000

12 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 1,123,810 and 6,876,190 new ordinary shares of USD 0.25 each to the Cambodian public and selected investors, respectively, at an issue price of USD 2.41 per share on 16 June 2014.

13 Trade and other payables

	31 December 2017		31 December 2016	
	USD	**KHR'000 (Note 4)**	USD	KHR'000 (Note 4)
Non-current				
Other payables	**2,289,400**	**9,260,623**	2,250,000	9,083,250
Current				
Ultimate holding company:				
QMI Industrial Co., Ltd	**1,528,744**	**6,183,769**	-	-
Accruals	**1,164,603**	**4,710,819**	2,359,311	9,524,539
Withholding tax payables	**395,523**	**1,599,891**	395,523	1,596,726
Other payables	**712,420**	**2,881,739**	384,735	1,553,175
	3,801,290	**15,376,218**	3,139,569	12,674,440
	6,090,690	**24,636,841**	5,389,569	21,757,690

Amount owing to ultimate holding company is in respect of cash advance received during the year for the Company used in the operation. This amount is unsecured, interest-free and payable upon demand.

14 Borrowings

	31 December 2017		31 December 2016	
	USD	**KHR'000 (Note 4)**	USD	KHR'000 (Note 4)
Long-term loan				
Taiwan Cooperative Bank (note 14.2)	**2,602,287**	**10,526,251**	-	-
Short-term loans				
First Commercial Bank (note 14.1)	**4,000,000**	**16,180,000**	6,400,000	25,836,800
Taiwan Cooperative Bank (note 14.2)	**364,615**	**1,474,868**	-	-
	4,364,615	**17,654,868**	6,400,000	25,836,800
	6,966,902	**28,181,119**	6,400,000	25,836,800

14.1 Term Loan with the First Commercial Bank

With reference to a loan agreement dated 28 June 2016, the Company was provided with a short-term loan of up to USD 6,400,000 (revolving) by First Commercial Bank, Phnom Penh Branch. The term of the loan is one year and the maturity date is specified in each promissory note. The annual interest on the loan is the floating rate of six months LIBOR rate plus 4.2%≥5%. Interest is calculated on the basis of 360 days per year and payable on a monthly basis.

The loan was renewed on 17 July 2017 for a one-year term. The annual interest on the loan is the floating rate of six months LIBOR rate plus 3.8%≥5%. Interest is calculated on the basis of 360 days per year and payable on a monthly basis.

Short-term loan is secured by the following:

(a) Letters of guarantee by Mr. Yang Shaw Shin, Director of the Company;

(b) First mortgage on the land owned by Mr. Yang Shaw Shin with title deed No. 12050501-0119, dated on 9 April 2013 located at Phum Chum Pou Voin, Trapaing Por, Sangkat Chom Chao, Khan Dangkor, Phnom Penh, Cambodia; and,

(c) All present and future assets of the Company.

As at 31 December 2017, the outstanding borrowing with the First Commercial bank is USD4,000,000.

14.2 Term Loan with the Taiwan Cooperative Bank

The Company entered into loan agreement with the Taiwan Cooperative Bank on 6 November 2017 of USD3,000,000 for 84 months starting from the date of first drawdown. On 29 November 2017 and 22 December 2017, the Company drawdown of USD2,000,000 and USD1,000,000, respectively. During the last quarter of 2017, the Company paid the principal amount of USD33,098.

The annual interest on the loan is the floating rate of six months LIBOR rate plus 3.5795% currently is 4.9999%. The daily interest is calculated on the basis of 360 days per year and is calculated daily commencing from the date of the loan disbursement and will be collect the interest 365 days per year. Interest is paid monthly, starting from the date of the loan disbursement.

The term loan is secured by the following:

a. Letters of guarantee by Mr. Yang Shaw Shin, Director of the Company;

b. First-rank hypothec over the real properties (including land(s) and all constructions) as follows:
   - Certificate of land title 005315 (Ixii 0019/21090908-0001) issued on 27 February 2014 for a 226,697m^2 parcel of land located at Phum Chorm Pol, Khum Porpel, Srok Tram Kak, Takeo province, Cambodia
   - Certificate of land title 005366 (Ixii 0020/21090908-0002) issued on 23 July 2014 for 14,871 m^2 parcel of land located at Phum Chorm Pol, Khum Porpel, Srok Tram Kak, Takeo province, Cambodia.

15 Revenue

	For the year ended 31 December 2017		For the year ended 31 December 2016	
	USD	**KHR'000 (Note 4)**	USD	KHR'000 (Note 4)
Sales of goods	**83,704,634**	**338,585,245**	81,770,173	330,106,188
Cut, make and pack ("CMP") revenue	**1,535,623**	**6,211,595**	264,449	1,067,581
Subcontract revenue	**-**	**-**	57,849	233,536
	85,240,257	**344,796,840**	82,092,471	331,407,305
Sales discount	**(5,144,481)**	**(20,809,426)**	-	-
	80,095,776	**323,987,414**	82,092,471	331,407,305

16 Cost of sales

	For the year ended 31 December 2017		For the year ended 31 December 2016	
	USD	**KHR'000 (Note 4)**	USD	KHR'000 (Note 4)
Direct materials	**47,657,487**	**192,774,535**	46,439,923	187,477,969
Direct labour	**12,185,700**	**49,291,157**	11,695,828	47,216,058
Overhead	**13,539,064**	**54,765,513**	13,698,991	55,302,826
	73,382,251	**296,831,205**	71,834,742	289,996,853

17 Administration expenses

	For the year ended 31 December 2017 USD	For the year ended 31 December 2017 KHR'000 (Note 4)	For the year ended 31 December 2016 USD	For the year ended 31 December 2016 KHR'000 (Note 4)
Research and development costs	**1,405,689**	**5,686,012**	1,641,642	6,627,309
Personnel costs	**1,371,360**	**5,547,151**	1,240,818	5,009,182
Depreciation	**100,901**	**408,145**	142,156	573,884
Stationeries	**100,754**	**407,550**	113,518	458,272
Professional service fees	**93,269**	**377,273**	124,861	504,064
Repairs and maintenance	**58,396**	**236,212**	27,091	109,366
Tax and other expenses	**42,545**	**172,095**	38,526	155,529
Postage and stamp	**39,189**	**158,520**	39,407	159,087
Traveling expenses	**32,458**	**131,293**	14,710	59,384
Property insurance	**25,988**	**105,121**	25,956	104,784
Equipment rental	**14,895**	**60,250**	12,156	49,074
Entertainment expenses	**10,910**	**44,131**	33,162	133,875
Utilities	**3,600**	**14,562**	3,600	14,533
Donations	**446**	**1,804**	1,197	4,833
Others	**319,700**	**1,293,186**	358,125	1,445,750
	3,620,100	**14,643,305**	3,816,925	15,408,926

18 Distribution costs

	For the year ended 31 December 2017 USD	For the year ended 31 December 2017 KHR'000 (Note 4)	For the year ended 31 December 2016 USD	For the year ended 31 December 2016 KHR'000 (Note 4)
Custom and document fees	**1,451,354**	**5,870,727**	1,499,433	6,053,211
Freight outwards	**188,943**	**764,274**	988,479	3,990,490
	1,640,297	**6,635,001**	2,487,912	10,043,701

19 Finance costs

This amount represents the interest expense on the outstanding borrowings.

20 Taxation

20.1 Income tax expense (benefit)

Under the Cambodian Law on Taxation, the Company has an obligation to pay tax on income at the rate of 20% of the taxable profit or a minimum tax, whichever is higher. The Company has been granted tax incentive in the form of a reduction of 10% to the applicable tax on profit rate given by the GDT for a period of three years from 2014 to 2016.

The minimum tax is calculated at the rate of 1% of the annual turnover inclusive of all taxes. The minimum tax is temporarily suspended until the end of year 2022 as per Prokas No. 1130MEF.Prk dated on 27 October 2017 issued by the Ministry of Economy and Finance.

The Company's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations for many types of transactions is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the tax authorities

A reconciliation between accounting profit before tax and estimated taxable profit for the years ended 31 December 2017 and 2016 follows:

	For the year ended 31 December 2017		For the year ended 31 December 2016	
	USD	**KHR'000 (Note 4)**	USD	KHR'000 (Note 4)
Profit before income tax	**1,169,232**	**4,729,544**	3,853,314	15,555,828
Income tax expense at applicable tax rate of 20% (2016: 20%)	**233,846**	**945,907**	725,236	2,927,778
Tax effects in respect of:				
Non-allowable expenses	**2,395**	**9,688**	21,169	85,459
Tax incentive	**-**	**-**	(385,331)	(1,555,581)
Over provision of income tax in prior years	**-**	**-**	(1,795,360)	(7,247,869)
Current year tax expense (benefit)	**236,241**	**955,595**	(1,434,286)	(5,790,213)
Deferred tax expense	**272,914**	**1,103,937**	45,427	183,389
Income tax expense (benefit)	**509,155**	**2,059,532**	(1,388,859)	(5,606,824)

20.2 Profit tax payables

	31 December 2017		31 December 2016	
	USD	**KHR'000 (Note 4)**	USD	KHR'000 (Note 4)
Opening balance	**2,812,477**	**11,353,970**	4,320,784	17,443,005
Income tax expense	**236,241**	**955,595**	361,074	1,457,656
Income tax paid	**(1,647,009)**	**(6,662,151)**	(74,021)	(298,823)
Over provision of income tax in prior years	**-**	**-**	(1,795,360)	(7,247,868)
Currency translation differences	**-**	**22,499**	-	-
	1,401,709	**5,669,913**	2,812,477	11,353,970

20.3 Deferred tax liabilities

The movements of deferred tax liabilities in respect of property, plant and equipment as well as intangible assets during the financial year are as follow:

	31 December 2017		31 December 2016	
	USD	**KHR'000 (Note 4)**	USD	KHR'000 (Note 4)
Balance at 1 January	**45,664**	**184,346**	237	957
Recognised in profit or loss (Note 20.1)	**272,914**	**1,103,937**	45,427	183,389
Exchange differences	**-**	**364**	-	-
	318,578	**1,288,647**	45,664	184,346

20.4 Taxation contingencies

As at the reporting date, The Company has not yet received notification of any tax reassessment audit for the financial years ended 31 December 2014 to 2017.

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.

21 Dividends

	For the year ended 31 December 2017			For the year ended 31 December 2016		
	Dividend per share	**Amount of dividend**		Dividend per share	Amount of dividend	
	KHR	**KHR'000**	**USD**	KHR	KHR'000	USD
Dividends paid	**100**	**4,000,000**	**1,000,000**	54	2,160,000	540,000

On 20 June 2017, the Board of Directors approved the declaration of dividends in respect of the year ended 31 December 2016 of KHR 100 per share, amounting to a total dividend of KHR 4,000 million. The dividends were subsequently paid on 14 July 2017.

22 Earnings per share

	For the year ended 31 December 2017		For the year ended 31 December 2016	
	USD	**KHR'000 (Note 4)**	USD	KHR'000 (Note 4)
Profit attributable to ordinary equity holders	**650,510**	**2,631,314**	5,242,173	21,162,652
Weighted average number of shares in issue	**40,000,000**	**40,000,000**	40,000,000	40,000,000
Basic earnings per share	**0.02**	**0.07**	0.13	0.53
Diluted earnings per share	**0.02**	**0.07**	0.13	0.53

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 year end. As such, the diluted earnings per share were equivalent to the basic earnings per share.

23 Related party balance and transactions

The following balances were outstanding with the related parties:

	Relationship	31 December 2017		31 December 2016	
		USD	**KHR'000 (Note 4)**	USD	KHR'000 (Note 4)
Trade receivables- Amounts due from					
QMI Industrial Co., Ltd	Ultimate holding company	**47,781,497**	**193,276,155**	55,492,741	224,024,195
Success Index Group	Common control	**605,853**	**2,450,675**	71,359	288,076
		48,387,350	**195,726,830**	55,564,100	224,312,271
Other receivables- Prepayment					
Success Index Group	Common control	**1,537,405**	**6,218,803**	-	-
Other payables- Advance from					
QMI Industrial Co., Ltd	Ultimate holding company	**1,528,744**	**6,183,769**	-	-

The outstanding balances are unsecured, free of interest with no fixed terms of repayment.

The Company had the following transactions with related parties during the financial period:

	For the year ended 31 December 2017		For the year ended 31 December 2016	
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
Ultimate holding company				
QMI Industrial Co., Ltd				
Sales	**80,095,776**	**323,987,414**	81,770,173	330,106,188
Purchases	**48,935,903**	**197,945,726**	46,016,334	185,767,942
Cash collection	**37,667,960**	**152,366,898**	30,329,000	122,438,172
Cash payment	**211,291**	**854,673**	-	-
Sales discounts	**5,144,481**	**20,809,426**	-	-
Off-set with trade payables	**48,724,611**	**197,091,053**	46,016,334	185,767,942
Payments on behalf of the Company	**656,466**	**2,655,405**	993,297	4,009,940
Off-set with other payables	**661,101**	**2,674,152**	2,163,130	8,732,560
Advances to the Company	**587,000**	**2,374,415**	-	-
Repayment of advances by the Company	**537,000**	**2,172,165**	-	-
Common control				
Success Index Group (Cambodia) Ltd				
Service fees (CMP)	**1,535,623**	**6,211,594**	264,449	1,067,582
Payments on behalf of the Company	**-**	**-**	22,807	92,072
Off-set with other payables	**1,001,129**	**4,049,566**	-	-
Advances by the Company	**4,269,931**	**17,271,872**	-	-
Repayments of advance by the Company	**2,732,526**	**11,053,068**	-	-
QMI Industrial (Shanghai) Limited				
Advances by the Company	**-**	**-**	104,477	421,774
Repayments of advances by the Company	**-**	**-**	104,477	421,774

24 Transactions with key management personnel

Key management's (i.e., Chairman, Chief Executive officer, Chief Finance Officer and directors) remuneration for the year ended 31 December 2017 amounted to USD81,200 (2016: USD81,200).

25 Commitments

At the end of the current financial year, the Company has commitments for capital expenditure in respect of the construction of a new research office building entered into with TACC (C.R) Ltd amounting to USD4,909,780 (31 December 2016: USD6,809,780).

26 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 Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Company. The Board of Directors 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 Board of Directors.

The main areas of financial risks faced by the Company and its policies in respect of the major areas of treasury activities are set out below:

26.1 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 its 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 the Board of Directors.

Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable local banks.

26.2 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 they fall 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 USD	**One to five years USD**	**Over five years USD**	**Total USD**	**KHR'000 (Note 4.2)**
31 December 2017					
Borrowings	4,364,615	2,148,114	454,173	6,966,902	28,181,119
Trade and other payables	3,801,290	1,800,000	489,400	6,090,690	24,636,841
	8,165,905	**3,948,114**	**943,573**	**13,057,592**	**52,817,960**

	On demand or within one year USD	One to five years USD	Over five years USD	Total USD	KHR'000 (Note 4.2)
31 December 2016					
Borrowings	6,400,000	-	-	6,400,000	25,836,800
Trade and other payables	3,139,569	1,800,000	450,000	5,389,569	21,757,690
	9,539,569	1,800,000	450,000	11,789,569	47,594,490

26.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument of the Company would fluctuate because of changes in market exchange 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:

	For the year ended 31 December 2017 USD	**KHR'000 (Note 4)**	For the year ended 31 December 2016 USD	KHR'000 (Note 4)
Profit net of tax				
- Increased by 0.1% (2016: 0.1%)	**(187)**	**(756)**	(3,692)	(14,905)
- Decreased by 0.1% (2016: 0.1%)	**187**	**756**	3,692	14,905

26.4 Foreign currency risk

The foreign currency exchange risk of the Company arises from the transactions denominated in foreign currencies.

During the year ended 31 December 2017, the Company's exposure to risk normally from changes in foreign currency exchange rates is minimal as most of its transactions are conducted in USD.

27 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 2017 and 31 December 2016.

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

28 Fair value measurement

28.1 Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

28.2 Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

(i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value.

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

(ii) Non-current payable

The fair value of this financial instruments is estimated by discounting expected future cash flows at market incremental leading rate for similar types of instrument at the end of the reporting period.

29 Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the 31 December 2017 reporting date and the date of authorisation of these financial statements.

30 Authorisation of the financial statements

The financial statements for the year ended 31 December 2017 were approved by the Board of Directors on 29 March 2018.

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