

Interim condensed financial statements

Grand Twins International
(Cambodia) Plc

For the quarter and the twelve-month
period ended 31 December 2018

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Report on the review of interim condensed financial statements

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To the Shareholders of Grand Twins International (Cambodia) Plc

We have reviewed the accompanying interim condensed financial statements of Grand Twins International (Cambodia) Plc (“the Company”), which comprise the interim condensed statement of financial position as at 31 December 2018, and the related interim condensed statements of comprehensive income, changes in equity and cash flows for the quarter and the twelve-month period then ended, and explanatory notes. The directors of the Company are responsible for the preparation and presentation of these interim condensed financial statements in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements of the Company are not prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*.

 
GRANT THORNTON (CAMBODIA) LIMITED
Certified Public Accountants
Registered Auditors


Ronald C. Almera
Partner - Audit and assurance

Phnom Penh, Kingdom of Cambodia
1 March 2019

Interim condensed statement of financial position

	Notes	Unaudited 31 December 2018		Audited 31 December 2017	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Assets					
Non-current					
Property, plant and equipment	8	13,625,765	55,116,219	14,322,711	57,935,366
Intangible assets	9	12,794	51,752	18,848	76,240
Non-current assets		13,638,559	55,167,971	14,341,559	58,011,606
Current					
Inventories	10	25,449,868	102,944,716	13,951,350	56,433,211
Trade and other receivables	11	48,829,661	197,515,979	53,837,140	217,771,231
Cash and cash equivalents	12	1,032,863	4,177,931	228,537	924,432
Current assets		75,312,392	304,638,626	68,017,027	275,128,874
Total assets		88,950,951	359,806,597	82,358,586	333,140,480
Equity and liabilities					
Equity					
Share capital	13	10,000,000	40,450,000	10,000,000	40,450,000
Share premium	14	17,280,000	69,897,600	17,280,000	69,897,600
Retained earnings		41,132,029	166,379,057	40,300,707	163,016,360
Total equity		68,412,029	276,726,657	67,580,707	273,363,960
Liabilities					
Non-current					
Deferred tax liabilities		427,641	1,729,808	318,578	1,288,647
Trade and other payables	15	1,569,400	6,348,222	2,289,400	9,260,623
Borrowings	16	-	-	2,602,287	10,526,251
Non-current liabilities		1,997,041	8,078,030	5,210,265	21,075,521
Current					
Trade and other payables	15	11,166,395	45,168,069	3,801,290	15,376,218
Borrowings	16	7,016,927	28,383,470	4,364,615	17,654,868
Income tax liabilities		358,559	1,450,371	1,401,709	5,669,913
Current liabilities		18,541,881	75,001,910	9,567,614	38,700,999
Total liabilities		20,538,922	83,079,940	14,777,879	59,776,520
Total equity and liabilities		88,950,951	359,806,597	82,358,586	333,140,480

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

Interim condensed statement of comprehensive income

	Notes	Unaudited 3 months to 31 December 2018		Unaudited 3 months to 31 December 2017	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Revenue	17	38,623,177	156,230,751	17,719,535	71,675,519
Cost of sales	18	(36,249,867)	(146,630,712)	(18,195,499)	(73,600,793)
Gross profit (loss)		2,373,310	9,600,039	(475,964)	(1,925,274)
Other income	19	21,117	85,418	30,037	121,500
Administrative expenses	20	(988,879)	(4,000,016)	(931,586)	(3,768,265)
Distribution costs	21	(941,648)	(3,808,966)	(428,128)	(1,731,778)
Other expenses		(23,400)	(94,653)	(16,275)	(65,832)
Operating profit (loss)		440,500	1,781,822	(1,821,916)	(7,369,649)
Finance income		394	1,594	566	2,289
Finance costs	22	(112,180)	(453,768)	(55,231)	(223,409)
Profit (Loss) before income tax		328,714	1,329,648	(1,876,581)	(7,590,769)
Income tax expense	23	(66,309)	(268,220)	-	-
Profit (Loss) for the period		262,405	1,061,428	(1,876,581)	(7,590,769)
Other comprehensive income		-	-	-	-
Total comprehensive income (loss) for the period		262,405	1,061,428	(1,876,581)	(7,590,769)

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

	Notes	Unaudited 3 months to 31 December 2018		Unaudited 3 months to 31 December 2017	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Basic earnings per share	25	0.01	0.03	(0.05)	(0.19)
Diluted earnings per share	25	0.01	0.03	(0.05)	(0.19)

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

Interim condensed statement of comprehensive income

	Notes	Unaudited 12 months to 31 December 2018		Unaudited 12 months to 31 December 2017	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Revenue	17	119,346,007	482,754,598	80,213,940	324,465,387
Cost of sales	18	(111,001,709)	(449,001,913)	(73,307,177)	(296,527,531)
Gross profit		8,344,298	33,752,685	6,906,763	27,937,856
Other income	19	110,157	445,585	74,878	302,882
Administrative expenses	20	(3,819,359)	(15,449,307)	(3,695,175)	(14,946,983)
Distribution costs	21	(2,401,432)	(9,713,792)	(1,640,297)	(6,635,001)
Other expenses		(117,659)	(475,931)	(171,881)	(695,259)
Operating profit		2,116,005	8,559,240	1,474,288	5,963,495
Finance income		1,378	5,574	20,105	81,325
Finance costs	22	(327,523)	(1,324,831)	(206,998)	(837,307)
Profit before income tax		1,789,860	7,239,983	1,287,395	5,207,513
Income tax expense	23	(358,538)	(1,450,286)	(632,796)	(2,559,660)
Profit for the period		1,431,322	5,789,697	654,599	2,647,853
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		1,431,322	5,789,697	654,599	2,647,853

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

	Notes	Unaudited 12 months to 31 December 2018		Unaudited 12 months to 31 December 2017	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Basic earnings per share	25	0.04	0.14	0.02	0.07
Diluted earnings per share	25	0.04	0.14	0.02	0.07

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

Interim condensed statement of changes in equity

	Notes	Share capital USD	Share premium USD	Retained earnings USD	Total equity USD
Unaudited					
Balance as at 1 January 2018 (Audited)	13	10,000,000	17,280,000	40,300,707	67,580,707
Profit for the twelve-month period		-	-	1,431,322	1,431,322
Dividends paid	24	-	-	(600,000)	(600,000)
Balance as at 31 December 2018 (USD)		10,000,000	17,280,000	41,132,029	68,412,029
KHR'000 (Note 4)		40,450,000	69,897,600	166,379,057	276,726,657
Unaudited					
Balance as at 1 January 2017 (Audited)	13	10,000,000	17,280,000	40,640,630	67,920,630
Profit for the twelve-month period		-	-	654,599	654,599
Dividends paid	24	-	-	(1,000,000)	(1,000,000)
Balance as at 31 December 2017 (USD)		10,000,000	17,280,000	40,295,229	67,575,229
KHR'000 (Note 4)		40,450,000	69,897,600	162,994,201	273,341,801

Interim condensed statement of cash flows

	Notes	Unaudited 12 months to 31 December 2018		Unaudited 12 months to 31 December 2017	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Operating activities					
Profit before income tax		1,789,860	7,239,983	1,287,395	5,207,513
Adjustments for:					
Amortisation of intangible assets	9	9,790	39,601	15,091	61,043
Depreciation of property, plant and equipment	8	1,589,246	6,428,500	1,658,817	6,709,915
Interest expense	22	327,523	1,324,831	206,998	837,307
Interest income		(1,378)	(5,574)	(20,105)	(81,325)
Operating profit before working capital		3,715,041	15,027,341	3,148,196	12,734,453
Net changes in working capital:					
Change in inventories	10	(11,498,518)	(46,511,505)	(5,200,007)	(21,034,028)
Change in trade and other receivables	11	1,628,793	6,588,467	(3,467,762)	(14,027,098)
Change in trade and other payables	15	7,151,319	28,927,087	(827,622)	(3,347,731)
Cash from (used in) operating activities		996,635	4,031,390	(6,347,195)	(25,674,404)
Income tax paid		(1,292,625)	(5,228,668)	(1,647,009)	(6,662,151)
Interest paid	22	(327,523)	(1,324,831)	(206,998)	(837,307)
Net cash used in operating activities		(623,513)	(2,522,109)	(8,201,202)	(33,173,862)
Investing activities					
Purchases of intangible assets	9	(3,736)	(15,112)	(24,100)	(97,485)
Purchases of property, plant and equipment	8	(892,300)	(3,609,354)	(1,129,872)	(4,570,332)
Interest received		1,378	5,574	20,105	81,325
Dividends paid		(600,000)	(2,427,000)	(1,000,000)	(4,045,000)
Net cash (used in) from investing activities		(1,494,658)	(6,045,892)	(2,133,867)	(8,631,492)
Financing activities					
Advances from related parties	15	2,266,619	9,168,474	9,239,988	37,375,751
Advances from/(to) related parties	11	605,853	2,450,675	(534,494)	(2,162,028)
Repayment of bank borrowings	16	(8,349,975)	(33,775,649)	(13,233,098)	(53,527,881)
Drawdown of borrowings	16	8,400,000	33,978,000	13,800,000	55,821,000
Net cash from financing activities		2,922,497	11,821,500	9,272,396	37,506,842
Net change in cash and cash equivalents		804,326	3,253,499	(1,062,673)	(4,298,512)
Cash and cash equivalents, at the beginning of the period		228,537	924,432	1,291,210	5,212,615
Currency translation difference		-	-	-	10,329
Cash and cash equivalents, at the end of the period		1,032,863	4,177,931	228,537	924,432

Notes to the interim condensed financial statements

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

The Company’s holding company is Grand Twins International Ltd, a company incorporated in the British Virgin Islands.

2 Principal activity

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.

3 Basis of preparation

The interim condensed financial statements are for the quarter and the twelve-month period ended 31 December 2018. They have been prepared in accordance with Cambodian International Accounting Standard 34 ‘*Interim Financial Reporting*’ (“CIAS 34”). They do not include all of the information required in annual financial statements in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”), and should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and note 5 to the interim condensed financial statements.

4 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”), Management has determined the USD to be the Company’s functional and presentation currency 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 dated 11 April 2016, and have been made using the prescribed average official exchange rate of USD1 to KHR4,045 for the year ended 31 December 2018 (31 December 2017: KHR4,045). These translations are unaudited and should not be construed as representations that the USD amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.

5 Significant accounting policies

The accounting policies and methods of computation adopted are consistent with those adopted in the Company’s audited financial statements for the financial year ended 31 December 2017, except for the effects of applying the following new CIFRS as at 1 January 2018:

- CIFRS 9 Financial Instruments, and
- CIFRS 15 Revenue from Contracts with Customers.

The adoption of these new and amended standards has no significant impact on the results and financial position of the Company for the current periods.

6 Seasonality or cyclicity of operation

The demand for the Company’s products is sensitive to seasonal changes.

7 Estimates

When preparing the interim condensed financial statements, Management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by Management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim condensed financial statements, including the key sources of estimation uncertainty, were the same as those applied in the Company's last annual audited financial statements for the year ended 31 December 2017. The only exception is the estimate of income tax liabilities which is determined in the interim condensed financial statements using the estimated annual effective tax rate applied to the pre-tax income of the interim financial period.

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8 Property, plant and equipment

	Leasehold land USD	Building and structures USD	Plant and machineries USD	Motor vehicles USD	Equipment and computers USD	Total USD
Unaudited						
Gross carrying amount						
Balance at 1 January 2018	3,880,000	7,032,890	10,550,877	68,109	843,085	22,374,961
Reversal of assets written off	-	1,938,421	3,855,238	49,311	962,767	6,805,737
Additions	-	-	869,758	-	22,542	892,300
Balance at 31 December 2018	3,880,000	8,971,311	15,275,873	117,420	1,828,394	30,072,998
Depreciation						
Balance at 1 January 2018	(232,800)	(2,581,322)	(4,530,196)	(55,976)	(651,956)	(8,052,250)
Reversal of assets written off	-	(1,938,421)	(3,855,238)	(49,311)	(962,767)	(6,805,737)
Depreciation	(38,800)	(448,566)	(1,038,081)	(3,561)	(60,238)	(1,589,246)
Balance at 31 December 2018	(271,600)	(4,968,309)	(9,423,515)	(108,848)	(1,674,961)	(16,447,233)
Carrying amount at 31 December 2018 (USD)	3,608,400	4,003,002	5,852,358	8,572	153,433	13,625,765
KHR'000 (Note 4)	14,595,978	16,192,143	23,672,788	34,674	620,636	55,116,219
Audited						
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 (USD)	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

9 Intangible assets

	Computer software	
	Unaudited	Audited
	2018	2017
	USD	USD
Gross carrying amount		
Balance at 1 January	87,837	63,737
Reversal of assets written off	133,384	-
Additions	3,736	24,100
Balance at 31 December	224,957	87,837
Amortisation		
Balance at 1 January	(68,989)	(53,898)
Reversal of assets written off	(133,384)	-
Amortisation	(9,790)	(15,091)
Balance at 31 December	(212,163)	(68,989)
Carrying amount at 31 December USD	12,794	18,848
KHR'000 (Note 4)	51,752	76,240

10 Inventories

	Unaudited		Audited	
	31 December 2018		31 December 2017	
	USD	KHR'000	USD	KHR'000
	(Note 4)		(Note 4)	
Raw materials	8,780,918	35,518,813	7,204,235	29,141,131
Work-in-progress	6,449,204	26,087,030	2,875,527	11,631,507
Finished goods	10,219,746	41,338,873	3,871,588	15,660,573
	25,449,868	102,944,716	13,951,350	56,433,211

11 Trade and other receivables

	Unaudited		Audited	
	31 December 2018		31 December 2017	
	USD	KHR'000	USD	KHR'000
	(Note 4)		(Note 4)	
Trade receivable				
Amount due from a related party:				
QMI Industrial Co., Ltd	44,890,500	181,582,073	47,663,333	192,798,182
Other receivables				
Amount due from a related party:				
Success Index Group				
(Cambodia) Ltd	-	-	605,853	2,450,675
VAT receivables	998,701	4,039,745	1,429,254	5,781,332
Prepayments	2,940,460	11,894,161	4,138,700	16,741,042
	3,939,161	15,933,906	6,173,807	24,973,049
	48,829,661	197,515,979	53,837,140	217,771,231

12 Cash and cash equivalents

	Unaudited		Audited	
	31 December 2018		31 December 2017	
	USD	KHR'000	USD	KHR'000
	(Note 4)		(Note 4)	
Cash on hand	49,254	199,233	65,497	264,935
Cash in banks	983,609	3,978,698	163,040	659,497
	1,032,863	4,177,931	228,537	924,432

13 Share capital

	Unaudited		Audited	
	31 December 2018		31 December 2017	
	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		40,450,000

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 1,123,810 and 6,876,190 new ordinary shares of USD0.25 each to the Cambodian public and selected investor, respectively, at an issue price of USD2.41 per share on 16 June 2014.

15 Trade and other payables

	Unaudited		Audited	
	31 December 2018		31 December 2017	
	USD	KHR'000	USD	KHR'000
	(Note 4)		(Note 4)	
Non-current				
Other payables	1,569,400	6,348,222	2,289,400	9,260,623
Current				
Trade payables	6,685,245	27,041,816	-	-
Amount due to a related party company - QMI Industrial Co., Ltd	1,022,530	4,136,134	1,528,744	6,183,769
Accruals	1,351,529	5,466,935	1,164,603	4,710,819
Withholding tax payables	395,523	1,599,891	395,523	1,599,891
Other payables	1,711,568	6,923,293	712,420	2,881,739
	11,166,395	45,168,069	3,801,290	15,376,218
	12,735,795	51,516,291	6,090,690	24,636,841

16 Borrowings

	Unaudited		Audited	
	31 December 2018		31 December 2017	
	USD	KHR'000	USD	KHR'000
	(Note 4)		(Note 4)	
Long-term loan				
Taiwan Cooperative Bank (note 16.2)	-	-	2,602,287	10,526,251
Short-term loan				
First Commercial Bank (note 16.1)	4,400,000	17,798,000	4,000,000	16,180,000
Taiwan Cooperative Bank (note 16.2)	2,616,927	10,585,470	364,615	1,474,868
	7,016,927	28,383,470	6,966,902	28,181,119

16.1. 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% \geq 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% \geq 5%.

The loan was subsequently renewed on 6 July 2018 for a one-year term. The annual interest on the loan is the floating rate of six months LIBOR rate plus 3% \geq 5%. Monthly interest payable is calculated on the basis of 360 days per year.

The short-term loan is secured by the following:

- (a) Letter 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, Trapeang Por, Sangkat Chom Chao, Khan Dangkor, Phnom Penh, Cambodia; and,
- (c) All present and future assets of the Company.

For the twelve-months period to 31 December 2018, the Company paid the principal amounting to USD8,000,000 and drewdown an aggregate amount of USD8,400,000.

16.2. 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 drewdown USD2,000,000 and USD1,000,000, respectively. During the last quarter of 2017 and twelve-month period ended 31 December 2018, the Company paid the principal amounts of USD33,098 and USD349,975, respectively.

The annual interest rate of the loan is six months LIBOR rate plus 3.5795%. Interest is payable on a monthly basis, starting from the date of loan disbursement.

The term loan is secured by the following:

- i. Letters of guarantee by Mr. Yang Shaw Shin, Director of the Company;
- ii. First-rank hypothec over the real properties (including land(s) and all constructions) as following:
 - Certificate of land title 005315 (Ixii 0019/21090908-0001) issued on 27 February 2014 of 226,697m², locate 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 of 14,871 m², locate at Phum Chorm Pol, Khum Porpel, Srok Tram Kak, Takeo province, Cambodia.

17 Revenue

	Unaudited		Unaudited	
	3 months to		3 months to	
	31 December 2018		31 December 2017	
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
Sale of goods	38,623,177	156,230,751	22,864,016	92,484,945
Cut, make and pack revenue	-	-	-	-
	38,623,177	156,230,751	22,864,016	92,484,945
Sales discount	-	-	(5,144,481)	(20,809,426)
	38,623,177	156,230,751	17,719,535	71,675,519

	Unaudited		Unaudited	
	12 months to		12 months to	
	31 December 2018		31 December 2017	
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
Sale of goods	118,512,716	479,383,936	83,822,798	339,063,218
Cut, make and pack revenue	833,291	3,370,662	1,535,623	6,211,595
	119,346,007	482,754,598	85,358,421	345,274,813
Sales discount	-	-	(5,144,481)	(20,809,426)
	119,346,007	482,754,598	80,213,940	324,465,387

18 Cost of sales

	Unaudited		Unaudited	
	3 months to		3 months to	
	31 December 2018		31 December 2017	
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
Direct materials	30,849,471	124,786,110	10,531,141	42,598,465
Direct labour	1,812,378	7,331,069	3,504,518	14,175,775
Overhead	3,588,018	14,513,533	4,159,840	16,826,553
	36,249,867	146,630,712	18,195,499	73,600,793

	Unaudited		Unaudited	
	12 months to		12 months to	
	31 December 2018		31 December 2017	
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
Direct materials	79,833,426	322,926,208	47,657,487	192,774,535
Direct labour	12,310,112	49,794,403	12,185,700	49,291,157
Overhead	18,858,171	76,281,302	13,463,990	54,461,839
	111,001,709	449,001,913	73,307,177	296,527,531

19 Other income

	Unaudited		Unaudited	
	3 months to		3 months to	
	31 December 2018		31 December 2017	
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
Foreign exchange gain	1,097	4,437	822	3,325
Others	20,020	80,981	29,215	118,175
	21,117	85,418	30,037	121,500

	Unaudited		Unaudited	
	12 months to		12 months to	
	31 December 2018		31 December 2017	
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
Foreign exchange gain	12,934	52,318	30,467	123,239
Others	97,223	393,267	44,411	179,643
	110,157	445,585	74,878	302,882

20 Administrative expenses

	Unaudited 3 months to 31 December 2018		Unaudited 3 months to 31 December 2017	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Personnel costs	411,639	1,665,080	344,924	1,395,218
Research and development costs	394,892	1,597,338	318,700	1,289,142
Professional service fees	32,161	130,091	20,024	80,997
Tax and other expenses	26,661	107,844	8,240	33,331
Depreciation	25,199	101,930	100,902	408,149
Stationeries	17,765	71,859	25,718	104,029
Repairs and maintenance	13,440	54,365	22,742	91,991
Property insurance	8,533	34,516	6,497	26,280
Traveling expenses	7,170	29,003	7,227	29,233
Postage and stamp	6,919	27,987	10,185	41,198
Equipment rental	3,975	16,079	3,605	14,582
Entertainment expenses	1,484	6,003	2,886	11,674
Utilities	1,000	4,045	900	3,641
Donations	148	599	446	1,804
Others	37,893	153,277	58,590	236,996
	988,879	4,000,016	931,586	3,768,265

	Unaudited 12 months to 31 December 2018		Unaudited 12 months to 31 December 2017	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Personnel costs	1,580,065	6,391,363	1,371,360	5,547,151
Research and development costs	1,482,660	5,997,360	1,405,689	5,686,012
Depreciation	98,750	399,444	175,976	711,823
Professional service fees	96,249	389,327	93,269	377,273
Stationeries	76,312	308,682	100,754	407,550
Tax and other expenses	54,553	220,667	42,545	172,095
Repairs and maintenance	51,924	210,033	58,396	236,212
Property insurance	38,217	154,588	25,988	105,121
Postage and stamp	30,419	123,045	39,189	158,520
Traveling expenses	29,399	118,919	32,458	131,293
Equipment rental	15,160	61,322	14,895	60,250
Entertainment expenses	8,198	33,161	10,910	44,131
Utilities	3,700	14,967	3,600	14,562
Donations	148	599	446	1,804
Others	253,605	1,025,830	319,700	1,293,186
	3,819,359	15,449,307	3,695,175	14,946,983

21 Distribution costs

	Unaudited		Unaudited	
	3 months to		3 months to	
	31 December 2018		31 December 2017	
	USD	KHR'000	USD	KHR'000
	(Note 4)		(Note 4)	
Custom and document fees	662,904	2,681,447	395,123	1,598,273
Freight outwards	278,744	1,127,519	33,005	133,505
	941,648	3,808,966	428,128	1,731,778

	Unaudited		Unaudited	
	12 months to		12 months to	
	31 December 2018		31 December 2017	
	USD	KHR'000	USD	KHR'000
	(Note 4)		(Note 4)	
Custom and document fees	1,890,357	7,646,494	1,451,354	5,870,727
Freight outwards	511,075	2,067,298	188,943	764,274
	2,401,432	9,713,792	1,640,297	6,635,001

22 Finance costs

This amount represents interest expense on borrowings.

23 Income tax expense

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 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 Prakas 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.

24 Dividends

	Unaudited		Unaudited	
	3 months to		3 months to	
	31 December 2018		31 December 2017	
	Dividend	Amount of	Dividend	Amount of
	per share	dividend	per share	dividend
	KHR	KHR'000	KHR	KHR'000
Dividends paid	60	2,400,000	100	4,000,000

On 29 June 2018, the Board of Directors approved the declaration of dividends in respect of the year ended 31 December 2017 of KHR60 per share, amounting to a total dividend of KHR2,400 million (equivalent to USD600,000). The dividends were subsequently paid on 20 July 2018.

25 Earnings per share

	Unaudited		Unaudited	
	3 months to		3 months to	
	31 December 2018		31 December 2017	
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
Profit attributable to ordinary equity holders	262,405	1,061,428	(1,876,581)	(7,590,769)
Weighted average number of shares in issue	40,000,000	40,000,000	40,000,000	40,000,000
Basic earnings per share	0.01	0.03	(0.05)	(0.19)
Diluted earnings per share	0.01	0.03	(0.05)	(0.19)

	Unaudited		Unaudited	
	12 months to		12 months to	
	31 December 2018		31 December 2017	
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
Profit attributable to ordinary equity holders	1,431,322	5,789,697	654,599	2,647,853
Weighted average number of shares in issue	40,000,000	40,000,000	40,000,000	40,000,000
Basic earnings per share	0.04	0.14	0.02	0.07
Diluted earnings per share	0.04	0.14	0.02	0.07

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 periods ended. As such, the diluted earnings per share were equivalent to the basic earnings per share.

26 Related party balance and transactions

The following balances were outstanding with the related parties:

	Relationship	Unaudited 31 December 2018		Audited 31 December 2017	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Amount due from					
QMI Industrial Co., Ltd	Common control	44,890,500	181,582,073	47,781,497	193,276,155
Success Index Group	Common control	-	-	605,853	2,450,675
		44,890,500	181,582,073	48,387,350	195,726,830
Other receivables- Prepayment					
Success Index Group	Common control	-	-	1,537,405	6,218,803
Other payables- Advance from					
QMI Industrial Co., Ltd	Common control	1,022,530	4,136,134	1,528,744	6,183,769

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

	Unaudited 3 months to 31 December 2018		Unaudited 3 months to 31 December 2017	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
<u>Common control</u>				
QMI Industrial Co., Ltd				
Sales	37,747,766	152,689,715	22,916,752	92,698,262
Purchases of raw materials	22,979,384	92,951,609	9,190,103	37,173,965
Purchases of machinery	291,321	1,178,395	-	-
Cash collection	10,963,153	44,345,952	5,700,152	23,057,115
Sales discount	-	-	5,144,481	20,809,426
Offset with trade payables	23,726,254	95,972,697	9,190,103	37,173,965
Payments on behalf for the Company	483,375	1,955,250	64,531	261,026
Payments on behalf by the Company	320,976	1,298,348	-	-
Offset with other payables	-	-	455,524	1,842,594
Advances to the Company	361,000	1,460,245	-	-
Repayment of advances by the Company	366,000	1,480,470	-	-
Success Index Group				
Advance to the Company	50,000	202,250	1,939,931	7,847,022
Repayments of advances by the Company	50,000	202,250	402,526	1,628,219

	Unaudited 12 months to 31 December 2018		Unaudited 12 months to 31 December 2017	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
<u>Common control</u>				
QMI Industrial Co., Ltd				
Sales	118,512,716	479,383,938	83,875,534	339,276,536
Purchases of raw materials	83,673,267	338,458,364	48,935,903	197,945,726
Purchases of machinery	852,658	3,449,002	-	-
Cash collection	38,044,897	153,891,608	37,667,960	152,366,898
Cash payment	432,614	1,749,925	211,291	854,673
Sales discount	-	-	5,144,481	20,809,426
Offset with trade payables	83,987,522	339,729,527	48,724,611	197,091,053
Payments on behalf for the Company	1,034,880	4,186,091	656,466	2,655,405
Payments on behalf by the Company	1,058,667	4,282,307	-	-
Offset with other payables	-	-	661,101	2,674,152
Advances to the Company	1,336,000	5,404,120	-	-
Repayment of advances by the Company	1,366,000	5,525,470	-	-
<hr/>				
Success Index Group				
Service fee (Cut, Make and Pack)	833,290	3,370,660	1,535,623	6,211,594
Advance to the Company	50,000	202,250	4,856,931	19,646,287
Offset with other payables	1,439,143	5,821,333	1,001,129	4,049,566
Repayments of advances by the Company	1,587,405	6,421,053	3,269,526	13,225,234

27 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.

27.1 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 Management.

27.2 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 for the next twelve months.

27.3 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 arises primarily from borrowing. 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.

28 Taxation contingencies

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

Management believes that it has adequately provided for tax liabilities based on its interpretation of current tax legislations. However, the relevant authorities may have differing interpretations and the effects could be significant.

29 Commitment

At the end of the current financial quarter, the Company has a commitment for capital expenditure in respect of the construction of new research office building with TACC (C.R) Ltd amounting to USD5,133,778 (31 December 2017: USD4,909,780).

30 Events after the reporting date

No adjusting or significant non-adjusting events have occurred between the 31 December 2018 reporting date and the date of authorisation of these interim condensed financial statements.

31 Authorisation of the interim condensed financial statements

The interim condensed financial statements for the quarter and the twelve-month period ended 31 December 2018 were approved by the Board of Directors on 1 March 2019.