

Interim condensed financial statements

**Grand Twins
International (Cambodia)
Plc**

For the quarter and six-month period ended
30 June 2019

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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 30 June 2019, and the related interim condensed statements of comprehensive income, changes in equity and cash flows for the quarter and six-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



GRANT THORNTON (CAMBODIA) LIMITED

Certified Public Accountants

Registered Auditors



Ronald C. Almera

Partner - Audit and assurance

Phnom Penh, Kingdom of Cambodia

12 August 2019

Interim condensed statement of financial position

	Notes	Unaudited 30 June 2019		Audited 31 December 2018	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Assets					
Non-current					
Property, plant and equipment	8	14,831,711	60,394,727	13,625,765	55,116,219
Intangible assets	9	10,197	41,522	12,794	51,752
Non-current assets		14,841,908	60,436,249	13,638,559	55,167,971
Current					
Inventories	10	26,756,397	108,952,049	25,449,868	102,944,716
Trade and other receivables	11	50,555,140	205,860,530	48,829,661	197,515,979
Cash and cash equivalents	12	654,860	2,666,590	1,032,863	4,177,931
Current assets		77,966,397	317,479,169	75,312,392	304,638,626
Total assets		92,808,305	377,915,418	88,950,951	359,806,597
Equity and liabilities					
Equity					
Share capital	13	10,000,000	40,720,000	10,000,000	40,450,000
Share premium	14	17,280,000	70,364,160	17,280,000	69,897,600
Retained earnings		41,509,921	169,028,398	41,132,029	166,379,057
Total equity		68,789,921	280,112,558	68,412,029	276,726,657
Liabilities					
Non-current					
Deferred tax liabilities		427,641	1,741,353	427,641	1,729,808
Trade and other payables	15	1,350,000	5,497,200	1,530,000	6,188,850
Non-current liabilities		1,777,641	7,238,553	1,957,641	7,918,658
Current					
Trade and other payables	15	12,954,113	52,749,150	11,205,795	45,327,441
Borrowings	16	8,867,560	36,108,704	7,016,927	28,383,470
Income tax liabilities		419,070	1,706,453	358,559	1,450,371
Current liabilities		22,240,743	90,564,307	18,581,281	75,161,282
Total liabilities		24,018,384	97,802,860	20,538,922	83,079,940
Total equity and liabilities		92,808,305	377,915,418	88,950,951	359,806,597

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

Interim condensed statement of comprehensive income

	Notes	Unaudited 3 months to 30 June 2019		Unaudited 3 months to 30 June 2018	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Revenue	17	43,532,887	177,265,916	23,773,949	96,664,877
Cost of sales	18	(41,080,701)	(167,280,614)	(23,190,125)	(94,291,048)
Gross profit		2,452,186	9,985,302	583,824	2,373,829
Other income	19	2,868	11,678	25,624	104,187
Administrative expenses	20	(1,100,919)	(4,482,942)	(930,778)	(3,784,543)
Distribution costs	21	(970,510)	(3,951,917)	(456,569)	(1,856,410)
Other expenses		(35,615)	(145,024)	(16,767)	(68,175)
Operating profit/(loss)		348,010	1,417,097	(794,666)	(3,231,112)
Finance income		485	1,975	406	1,651
Finance costs	22	(91,595)	(372,975)	(72,883)	(296,342)
Profit/(loss) before income tax		256,900	1,046,097	(867,143)	(3,525,803)
Income tax expense	23	(51,380)	(209,219)	-	-
Profit/(loss) for the period		205,520	836,878	(867,143)	(3,525,803)
Other comprehensive income		-	-	-	-
Total comprehensive income/(loss) for the period		205,520	836,878	(867,143)	(3,525,803)

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

	Notes	Unaudited 3 months to 30 June 2019		Unaudited 3 months to 30 June 2018	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Basic earnings/(loss) per share	24	0.005	0.021	(0.022)	(0.088)
Diluted earnings/(loss) per share	24	0.005	0.021	(0.022)	(0.088)

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

Interim condensed statement of comprehensive income

	Notes	Unaudited 6 months to 30 June 2019		Unaudited 6 months to 30 June 2018	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Revenue	17	80,313,379	327,036,079	47,052,548	191,315,660
Cost of sales	18	(75,031,595)	(305,528,655)	(43,813,191)	(178,144,435)
Gross profit		5,281,784	21,507,424	3,239,357	13,171,225
Other income	19	18,344	74,697	41,670	169,430
Administrative expenses	20	(2,180,175)	(8,877,673)	(1,888,315)	(7,677,889)
Distribution costs	21	(2,414,931)	(9,833,599)	(801,362)	(3,258,338)
Other expenses		(45,331)	(184,588)	(65,944)	(268,128)
Operating profit		659,691	2,686,261	525,406	2,136,300
Finance income		828	3,372	707	2,875
Finance costs	22	(188,154)	(766,163)	(136,405)	(554,623)
Profit before income tax		472,365	1,923,470	389,708	1,584,552
Income tax expense	23	(94,473)	(384,694)	(77,942)	(316,912)
Profit for the period		377,892	1,538,776	311,766	1,267,640
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		377,892	1,538,776	311,766	1,267,640

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

	Notes	Unaudited 6 months to 30 June 2019		Unaudited 6 months to 30 June 2018	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Basic earnings per share	24	0.009	0.038	0.008	0.032
Diluted earnings per share	24	0.009	0.038	0.008	0.032

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 2019 (Audited)	13	10,000,000	17,280,000	41,132,029	68,412,029
Profit for the six-month period		-	-	377,892	377,892
Other comprehensive income		-	-	-	-
Balance as at 30 June 2019 (USD)		10,000,000	17,280,000	41,509,921	68,789,921
KHR'000 (Note 4)		40,720,000	70,364,160	169,028,398	280,112,558
Unaudited					
Balance as at 1 January 2018 (Audited)	13	10,000,000	17,280,000	40,300,707	67,580,707
Profit for the six-month period		-	-	311,766	311,766
Other comprehensive income		-	-	-	-
Balance as at 30 June 2018 (USD)		10,000,000	17,280,000	40,612,473	67,892,473
KHR'000 (Note 4)		40,660,000	70,260,480	165,130,315	276,050,795

Interim condensed statement of cash flows

	Notes	Unaudited 6 months to 30 June 2019		Unaudited 6 months to 30 June 2018	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Operating activities					
Profit before income tax		472,365	1,923,470	389,708	1,584,552
Adjustments for:					
Amortisation of intangible assets	9	2,597	10,575	4,739	19,269
Depreciation of property, plant and equipment	8	859,244	3,498,842	736,291	2,993,759
Interest expense	22	188,154	766,163	136,405	554,623
Interest income		(828)	(3,372)	(707)	(2,875)
Operating profit before working capital		1,521,532	6,195,678	1,266,436	5,149,328
Changes in working capital:					
Change in inventories	10	(1,306,529)	(5,320,186)	(6,933,969)	(28,193,518)
Change in trade and other receivables	11	771,904	3,143,192	1,345,773	5,471,912
Change in trade and other payables	15	1,223,208	4,980,903	148,689	604,569
Cash generated from/(used in) operating activities		2,210,115	8,999,587	(4,173,071)	(16,967,709)
Income tax paid		(33,962)	(138,293)	(637,464)	(2,591,929)
Net cash from/(used in) operating activities		2,176,153	8,861,294	(4,810,535)	(19,559,637)
Investing activities					
Purchases of property, plant and equipment	8	(2,065,190)	(8,409,454)	(395,368)	(1,607,566)
Purchases of intangible assets	9	-	-	(3,736)	(15,191)
Interest received		828	3,372	707	2,875
Net cash used in investing activities		(2,064,362)	(8,406,082)	(398,397)	(1,619,882)
Financing activities					
(Repayment to)/advances from related parties	15	(2,152,273)	(8,764,056)	5,560,051	22,607,167
Advances to related parties	11	-	-	(51,286)	(208,529)
Interest paid	22	(188,154)	(766,163)	(136,405)	(554,623)
Repayment of bank borrowings	16	(5,709,367)	(23,248,543)	(4,178,484)	(16,989,716)
Drawdown of borrowings	16	7,560,000	30,784,320	4,000,000	16,264,000
Net cash (used in)/from financing activities		(489,794)	(1,994,442)	5,193,876	21,118,299
Net change in cash and cash equivalents		(378,003)	(1,539,230)	(15,056)	(61,221)
Cash and cash equivalents, at the beginning of the period		1,032,863	4,177,931	228,537	924,432
Currency translation difference		-	27,889	-	4,803
Cash and cash equivalents, at the end of the period		654,860	2,666,590	213,481	868,014

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 six-month period ended 30 June 2019. 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 an 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 2018 and notes 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 KHR4,072 as at 30 June 2019 (31 December 2018: KHR4,045 and 30 June 2018: KHR4,066). 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 2018.

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 2018. 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.

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 2019	3,880,000	8,971,311	15,275,873	117,420	1,828,394	30,072,998
Additions	-	-	2,017,143	-	48,047	2,065,190
Balance at 30 June 2019	3,880,000	8,971,311	17,293,016	117,420	1,876,441	32,138,188
Depreciation						
Balance at 1 January 2019	(271,600)	(4,968,309)	(9,423,515)	(108,848)	(1,674,961)	(16,447,233)
Depreciation	(19,200)	(224,283)	(589,715)	(1,602)	(24,444)	(859,244)
Balance at 30 June 2019	(290,800)	(5,192,592)	(10,013,230)	(110,450)	(1,699,405)	(17,306,477)
Carrying amount at 30 June 2019 (USD)	3,589,200	3,778,719	7,279,786	6,970	177,036	14,831,711
KHR'000 (Note 4)	14,615,222	15,386,944	29,643,289	28,382	720,890	60,394,727
Audited						
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 fully depreciated assets written off in prior years	-	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 fully depreciated assets written off in prior years	-	(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

9 Intangible assets

	Computer software	
	Unaudited 2019 USD	Audited 2018 USD
Gross carrying amount		
Balance at 1 January	224,957	87,837
Reversal of assets written off	-	133,384
Additions	-	3,736
Balance at 30 June/31 December	224,957	224,957
Amortisation		
Balance at 1 January	(212,163)	(68,989)
Reversal of assets written off	-	(133,384)
Amortisation	(2,597)	(9,790)
Balance at 30 June/31 December	(214,760)	(212,163)
Carrying amount at 30 June/31 December USD	10,197	12,794
KHR'000 (Note 4)	41,522	51,752

10 Inventories

	Unaudited 30 June 2019		Audited 31 December 2018	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Raw materials	16,492,222	67,156,329	8,780,918	35,518,813
Work-in-progress	7,404,863	30,152,602	6,449,204	26,087,030
Finished goods	2,859,312	11,643,118	10,219,746	41,338,873
	26,756,397	108,952,049	25,449,868	102,944,716

11 Trade and other receivables

	Unaudited 30 June 2019		Audited 31 December 2018	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Trade receivables				
Amount due from a related party (Note 25)	47,387,883	192,963,460	44,890,500	181,582,073
Other receivables				
VAT receivables	1,197,287	4,875,352	998,701	4,039,745
Prepayments	1,969,970	8,021,718	2,940,460	11,894,161
	3,167,257	12,897,070	3,939,161	15,933,906
	50,555,140	205,860,530	48,829,661	197,515,979

12 Cash and cash equivalents

	Unaudited		Audited	
	30 June 2019		31 December 2018	
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
Cash on hand	63,867	260,067	49,254	199,233
Cash in banks	590,993	2,406,523	983,609	3,978,698
	654,860	2,666,590	1,032,863	4,177,931

13 Share capital

	Unaudited		Audited	
	30 June 2019		31 December 2018	
	Shares	USD	Shares	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)		40,720,000		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	
	30 June 2019		31 December 2018	
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
Non-current				
Other payables	1,350,000	5,497,200	1,530,000	6,188,850
Current				
Trade payables	26,636	108,460	-	-
Amounts due to related parties (Note 25)	9,293,911	37,844,806	7,707,775	31,177,950
Accruals	1,624,813	6,616,239	1,351,529	5,466,935
Withholding tax payables	395,523	1,610,570	395,523	1,599,891
Other payables	1,613,230	6,569,075	1,750,968	7,082,665
	12,954,113	52,749,150	11,205,795	45,327,441
	14,304,113	58,246,350	12,735,795	51,516,291

16 Borrowings

	Unaudited 30 June 2019		Audited 31 December 2018	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Short-term loans				
First Commercial Bank (Note 16.1)	6,400,000	26,060,800	4,400,000	17,798,000
Taiwan Cooperative Bank (Note 16.2)	2,467,560	10,047,904	2,616,927	10,585,470
	8,867,560	36,108,704	7,016,927	28,383,470

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 loan) by First Commercial Bank, Phnom Penh Branch. The term of the loan is for 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%.

The loan was subsequently renewed on 6 July 2018 for another one-year term. The annual interest on the loan is the floating rate of six months LIBOR rate plus 3%≥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 six-months period to 30 June 2019, the Company paid the principal amounting to USD5,560,000 (2018: USD 8,000,000) and drewdown an aggregate amount of USD7,560,000 (2018: USD 8,400,000).

16.2. Term loan with the Taiwan Cooperative Bank

The Company entered into a loan agreement with the Taiwan Cooperative Bank on 6 November 2017 for USD3,000,000 payable 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.

For the six-months period to 30 June 2019, the Company paid the principal amounting to USD 149,366 (2018: USD 349,975).

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

	USD	Unaudited 3 months to 30 June 2019 KHR'000 (Note 4)	USD	Unaudited 3 months to 30 June 2018 KHR'000 (Note 4)
Sale of goods	43,532,887	177,265,916	23,799,360	96,768,198
Sales discount	-	-	(25,411)	(103,321)
	43,532,887	177,265,916	23,773,949	96,664,877

	USD	Unaudited 6 months to 30 June 2019 KHR'000 (Note 4)	USD	Unaudited 6 months to 30 June 2018 KHR'000 (Note 4)
Sale of goods	80,313,379	327,036,079	46,244,669	188,030,824
Cut, make and pack revenue	-	-	833,290	3,388,157
	80,313,379	327,036,079	47,077,959	191,418,981
Sales discount	-	-	(25,411)	(103,321)
	80,313,379	327,036,079	47,052,548	191,315,660

18 Cost of sales

	USD	Unaudited 3 months to 30 June 2019 KHR'000 (Note 4)	USD	Unaudited 3 months to 30 June 2018 KHR'000 (Note 4)
Direct materials	27,139,285	110,511,170	15,164,085	61,657,170
Direct labour	4,259,422	17,344,367	3,835,883	15,596,700
Overhead	9,681,994	39,425,077	4,190,157	17,037,178
	41,080,701	167,280,614	23,190,125	94,291,048

	USD	Unaudited 6 months to 30 June 2019 KHR'000 (Note 4)	USD	Unaudited 6 months to 30 June 2018 KHR'000 (Note 4)
Direct materials	53,377,117	217,351,620	31,057,039	126,277,921
Direct labour	7,778,554	31,674,272	7,152,758	29,083,114
Overhead	13,875,924	56,502,763	5,603,394	22,783,400
	75,031,595	305,528,655	43,813,191	178,144,435

19 Other income

	USD	Unaudited 3 months to 30 June 2019 KHR'000 (Note 4)	USD	Unaudited 3 months to 30 June 2018 KHR'000 (Note 4)
Realised foreign exchange gain	691	2,813	1,747	7,103
Others	2,177	8,865	23,877	97,084
	2,868	11,678	25,624	104,187

	USD	Unaudited 6 months to 30 June 2019 KHR'000 (Note 4)	USD	Unaudited 6 months to 30 June 2018 KHR'000 (Note 4)
Realised foreign exchange gain	1,664	6,776	2,510	10,206
Others	16,680	67,921	39,160	159,224
	18,344	74,697	41,670	169,430

20 Administrative expenses

	Unaudited 3 months to 30 June 2019		Unaudited 3 months to 30 June 2018	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Research and development costs	483,286	1,967,942	353,392	1,436,892
Personnel costs	420,169	1,710,929	354,006	1,439,388
Professional services fees	30,861	125,667	29,417	119,610
Depreciation	24,411	99,402	37,740	153,451
Stationaries	24,012	97,778	20,896	84,963
Donation	10,000	40,720	-	-
Traveling	9,757	39,732	7,519	30,572
Repairs and maintenance	9,121	37,142	11,841	48,146
Tax and others	8,568	34,890	5,424	22,054
Postage and stamp	6,397	26,050	7,464	30,349
Property insurance	5,827	23,729	9,553	38,842
Equipment rental	4,245	17,287	3,715	15,105
Entertainment	1,293	5,266	1,925	7,827
Utilities	1,050	4,277	900	3,659
Others	61,922	252,131	86,986	353,685
	1,100,919	4,482,942	930,778	3,784,543

	Unaudited 6 months to 30 June 2019		Unaudited 6 months to 30 June 2018	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Research and development costs	951,754	3,875,542	707,657	2,877,333
Personnel costs	832,607	3,390,376	768,832	3,126,071
Stationaries	51,873	211,227	39,797	161,815
Depreciation	48,523	197,586	62,180	252,824
Professional services fees	41,223	167,860	62,888	255,703
Tax and others	21,014	85,569	13,721	55,790
Traveling	17,244	70,218	15,200	61,803
Repairs and maintenance	17,162	69,884	21,085	85,732
Donation	10,000	40,720	-	-
Postage and stamp	13,581	55,302	15,479	62,938
Property insurance	12,103	49,283	20,134	81,865
Equipment rental	8,220	33,472	7,510	30,536
Entertainment	4,080	16,614	4,094	16,646
Utilities	2,100	8,551	1,800	7,319
Others	148,691	605,469	147,938	601,514
	2,180,175	8,877,673	1,888,315	7,677,889

21 Distribution costs

	Unaudited 3 months to 30 June 2019		Unaudited 3 months to 30 June 2018	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Custom and document fees	757,894	3,086,145	395,667	1,608,782
Freight outwards	212,616	865,772	60,902	247,628
	970,510	3,951,917	456,569	1,856,410

	Unaudited 6 months to 30 June 2019		Unaudited 6 months to 30 June 2018	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Custom and document fees	1,410,541	5,743,723	721,777	2,934,745
Freight outwards	1,004,390	4,089,876	79,585	323,593
	2,414,931	9,833,599	801,362	3,258,338

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 income 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 Earnings per share

	Unaudited 3 months to 30 June 2019		Unaudited 3 months to 30 June 2018	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Profit/(loss) attributable to ordinary equity holders	205,520	836,878	(867,143)	(3,525,803)
Weighted average number of shares in issue	40,000,000	40,000,000	40,000,000	40,000,000
Basic earnings/(loss) per share	0.005	0.021	(0.022)	(0.088)
Diluted earnings/(loss) per share	0.005	0.021	(0.022)	(0.088)

	Unaudited		Unaudited	
	6 months to		6 months to	
	30 June 2019		30 June 2018	
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
Profit attributable to ordinary equity holders	377,892	1,538,776	311,766	1,267,640
Weighted average number of shares in issue	40,000,000	40,000,000	40,000,000	40,000,000
Basic earnings per share	0.009	0.038	0.008	0.032
Diluted earnings per share	0.009	0.038	0.008	0.032

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.

25 Related party balances and transactions

The following balances were outstanding with related parties:

	Relationship	Unaudited		Audited	
		30 June 2019		31 December 2018	
		USD	KHR'000	USD	KHR'000
			(Note 4)		(Note 4)
Amount due from					
QMI Industrial Co., Ltd	Under common control	47,387,883	192,963,460	44,890,500	181,582,073
Amounts due to					
Quint Major Industrial Co., Ltd.	Under common control	7,926,271	32,275,776	6,685,245	27,041,816
QMI Industrial Co., Ltd	Under common control	1,367,640	5,569,030	1,022,530	4,136,134

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:

	Unaudited		Unaudited	
	3 months to		3 months to	
	30 June 2019		30 June 2018	
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
<u>Under common control</u>				
QMI Industrial Co., Ltd				
Sales	42,251,626	172,048,620	23,799,360	96,768,197
Purchases of raw materials	27,282,249	111,093,318	20,186,091	82,076,645
Purchases of machinery	103,793	422,647	82,658	336,088
Cash collection	10,120,626	41,211,188	5,315,971	21,614,737
Cash payment	-	-	140,000	569,240
Sales discount	-	-	25,411	103,321
Offset with trade payables	27,282,249	111,093,318	20,046,091	81,507,405
Payments on behalf for the Company	1,363,681	5,552,909	441,356	1,794,555
Payments on behalf by the Company	74,234	302,280	122,157	496,689
Advances to the Company	430,000	1,750,960	270,000	1,097,820
Repayment of advances by the Company	430,000	1,750,960	150,000	609,900
Quint Major Industrial Co., Ltd.				
Subcontract cost	4,569,452	18,606,809	239,069	972,055
Repayment	3,582,000	14,585,904	-	-
Success Index Group				
Offset with other payables	-	-	782,004	3,179,630
Repayments of advances by the Company	-	-	767,405	3,120,268
	Unaudited		Unaudited	
	6 months to		6 months to	
	30 June 2019		30 June 2018	
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
<u>Under common control</u>				
QMI Industrial Co., Ltd				
Sales	78,265,608	318,697,555	46,244,669	188,030,826
Purchases of raw materials	51,937,978	211,491,446	35,584,341	144,685,931
Purchases of machinery	1,989,643	8,101,827	370,058	1,504,657
Cash collection	23,830,247	97,036,766	17,105,971	69,552,877
Cash payment	-	-	432,614	1,759,010
Sales discount	-	-	25,411	103,321
Offset with trade payables	51,937,978	211,491,446	35,151,727	142,926,920
Payments on behalf for the Company	1,749,923	7,125,687	442,107	1,797,609
Payments on behalf by the Company	105,390	429,146	493,719	2,007,463
Offset with other payables	-	-	3,488	14,182
Advances to the Company	600,000	2,443,200	370,000	1,504,420
Repayment of advances by the Company	620,000	2,524,640	300,000	1,219,800
Quint Major Industrial Co., Ltd.				
Subcontract cost	5,743,026	23,385,602	239,069	972,055
Repayment	4,502,000	18,332,144	-	-

Success Index Group				
Service fee (CMP)	-	-	833,290	3,388,159
Offset with other payables	-	-	782,004	3,179,630
Repayments of advances by the Company	-	-	1,537,405	6,251,088

26 Financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities in each category are as follows:

	Unaudited 30 June 2019		Audited 31 December 2018	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Financial assets				
Amortised cost				
Trade and other receivables*	47,387,883	192,963,460	44,890,500	181,582,073
Cash and cash equivalents	654,860	2,666,590	1,032,863	4,177,931
	48,042,743	195,630,050	45,923,363	185,760,004

* Excludes prepayments and VAT receivables

	Unaudited 30 June 2019		Audited 31 December 2018	
	USD	KHR'000 (Note 4.2)	USD	KHR'000 (Note 4.2)
Financial liabilities				
Amortised cost				
Trade and other payables**	13,908,590	56,635,780	12,340,272	49,916,400
Borrowings	8,867,560	36,108,704	7,016,927	28,383,470
	22,776,150	92,744,484	19,357,199	78,299,870

** Excludes withholding tax payables

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 purchase of new research office units from TACC (C.R) Ltd amounting to USD5,913,044 (31 December 2018: USD5,133,778).

30 Events after the reporting date

No adjusting nor significant non-adjusting events have occurred between 30 June 2019 the 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 six-month period ended 30 June 2019 were approved for issue by the Board of Directors on 12 August 2019.

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