

**GRAND TWINS
INTERNATONAL (CAMBODIA) PLC**
(Incorporated in Cambodia)
Registration No: 00012347

CONDENSED INTERIM FINANCIAL STATEMENTS
For The Financial Period From
1 January 2020 To 30 June 2020

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC

(Incorporated in Cambodia)

Registration No: 00012347

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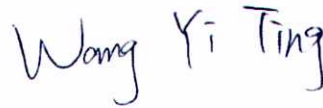
STATEMENT BY DIRECTORS

In the opinion of directors, the accompanying condensed interim statement of financial position of Grand Twins International (Cambodia) Plc ("GTI") as at 30 June 2020, and the related condensed interim statement of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and condensed notes to the interim financial information (collectively known as "Condensed Interim Financial Statements") are presented fairly, in all material respects, in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reportings*.

Signed on behalf of board of directors :-


CHEN TSUNG CHI
Director




WANG YI TING
Director



REPORT ON THE REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF GRAND TWINS INTERNATIONAL (CAMBODIA) PLC

Crowe (KH) Co., Ltd
Chartered Accountants
Member Crowe International

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We have reviewed the accompanying condensed interim financial statements of Grand Twins International (Cambodia) Plc ("the Company"), which comprise the condensed interim statement of financial position as at 30 June 2020, and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and accompanying explanatory notes (collectively known as "Condensed Interim Financial Statements"). The directors of the Company are responsible for the preparation and presentation of these Condensed Interim Financial Statements in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on the Condensed Interim 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, other the potential impact of Covid-19 which could not be determined at this juncture as explained in Note 30, nothing has come to our attention that causes us to believe that the accompanying Condensed Interim Financial Statements of the Company are not prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*.

Crowe (KH) Co., Ltd



Onn Kien Hoe
Director

Date **10 SEP 2020**

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC

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CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note		Unaudited 30 June 2020		Audited 31 December 2019
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	8	13,894,772	56,871,302	14,223,478	57,960,673
Intangible assets	9	6,181	25,299	7,600	30,970
		<u>13,900,953</u>	<u>56,896,601</u>	<u>14,231,078</u>	<u>57,991,643</u>
CURRENT ASSETS					
Inventories	10	25,050,240	102,530,632	21,895,679	89,224,892
Trade and other receivables	11	49,581,921	202,938,802	57,002,230	232,284,087
Cash and cash equivalents	12	598,746	2,450,667	641,825	2,615,437
		<u>75,230,907</u>	<u>307,920,101</u>	<u>79,539,734</u>	<u>324,124,416</u>
TOTAL ASSETS		<u>89,131,860</u>	<u>364,816,702</u>	<u>93,770,812</u>	<u>382,116,059</u>
EQUITY AND LIABILITY					
EQUITY					
Share capital	13	10,000,000	40,930,000	10,000,000	40,450,000
Share premium	14	17,280,000	70,727,040	17,280,000	69,897,600
Retained earnings		41,727,961	170,792,544	41,392,539	167,434,643
Currency translation difference		-	-	-	2,058,353
TOTAL EQUITY		<u>69,007,961</u>	<u>282,449,584</u>	<u>68,672,539</u>	<u>279,840,596</u>
LIABILITIES					
NON-CURRENT LIABILITIES					
Deferred tax liabilities		572,107	2,341,634	572,107	2,331,336
Trade and other payables	15	990,000	4,052,070	1,170,000	4,767,750
		<u>1,562,107</u>	<u>6,393,704</u>	<u>1,742,107</u>	<u>7,099,086</u>
CURRENT LIABILITIES					
Trade and other payables	15	9,759,731	39,946,579	14,422,676	58,772,405
Borrowings	16	8,434,831	34,523,763	8,642,988	35,220,176
Income tax liabilities		367,230	1,503,072	290,502	1,183,796
Current liabilities		<u>18,561,792</u>	<u>75,973,414</u>	<u>23,356,166</u>	<u>95,176,377</u>
TOTAL LIABILITIES		<u>20,123,899</u>	<u>82,367,118</u>	<u>25,098,273</u>	<u>102,275,463</u>
TOTAL EQUITY AND LIABILITIES		<u>89,131,860</u>	<u>364,816,702</u>	<u>93,770,812</u>	<u>382,116,059</u>

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CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020

	Note		Unaudited 3 months to 30 June 2020	Unaudited 3 months to 30 June 2019
		USD	KHR'000 (Note 4)	USD KHR'000 (Note 4)
Revenue	17	30,886,368	126,417,904	43,532,887
Cost of sales	18	(29,142,698)	(119,281,063)	(41,080,701)
Gross profit		1,743,670	7,136,841	2,452,186
Other income	19	92,777	379,736	2,868
Administrative expenses		(1,011,851)	(4,141,506)	(1,100,919)
Distribution costs		(463,198)	(1,895,869)	(970,510)
Other expenses		(38,486)	(157,524)	(35,615)
Operating profit		322,912	1,321,678	348,010
Finance income	19	485	1,985	485
Finance costs	20	(98,513)	(403,214)	(91,595)
Profit before income tax		224,884	920,449	256,900
Income tax expense	21	(45,000)	(184,185)	(51,380)
Profit for the period		179,884	736,264	205,520
Other comprehensive income		-	-	-
Total comprehensive income for the period		179,884	736,264	205,520

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

	Notes		Unaudited 3 months to 30 June 2020	Unaudited 3 months to 30 June 2019
		USD	KHR'000 (Note 4)	USD KHR'000 (Note 4)
Basic earnings per share	22	0.004	0.018	0.005
Diluted earnings per share	22	0.004	0.018	0.005

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CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2020 (CONT'D)

	Note	USD	Unaudited 6 months to 30 June 2020 KHR'000 (Note 4)	USD	Unaudited 6 months to 30 June 2019 KHR'000 (Note 4)
Revenue	17	61,553,509	251,938,512	80,313,379	327,036,079
Cost of sales	18	(57,990,210)	(237,353,930)	(75,031,595)	(305,528,655)
Gross profit		3,563,299	14,584,582	5,281,784	21,507,424
Other income	19	223,723	915,698	18,344	74,697
Administrative expenses		(2,170,213)	(8,882,682)	(2,180,175)	(8,877,673)
Distribution costs		(915,443)	(3,746,908)	(2,414,931)	(9,833,599)
Other expenses		(74,748)	(305,944)	(45,331)	(184,588)
Operating profit		626,618	2,564,746	659,691	2,686,261
Finance income	19	876	3,585	828	3,372
Finance costs	20	(208,187)	(852,109)	(188,154)	(766,163)
Profit before income tax		419,307	1,716,222	472,365	1,923,470
Income tax expense	21	(83,885)	(343,341)	(94,473)	(384,694)
Profit for the period		335,422	1,372,881	377,892	1,538,776
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		335,422	1,372,881	377,892	1,538,776

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

	Notes	USD	Unaudited 6 months to 30 June 2020 KHR'000 (Note 4)	USD	Unaudited 6 months to 30 June 2019 KHR'000 (Note 4)
Basic earnings per share	22	0.008	0.034	0.009	0.038
Diluted earnings per share	22	0.008	0.034	0.009	0.038

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2020

	Share capital USD	Share premium USD	Retained earnings USD	Total equity	
				USD	KHR'000 (Note 4)
Balance as at 1 January 2020 (Audited)	10,000,000	17,280,000	41,392,539	68,672,539	281,076,703
Profit for six-month period	-	-	335,422	335,422	1,372,881
Balance as at 30 June 2020 (USD)	<u>10,000,000</u>	<u>17,280,000</u>	<u>41,727,961</u>	<u>69,007,961</u>	<u>282,449,584</u>
Balance as at 1 January 2019 (Audited)	10,000,000	17,280,000	41,132,029	68,412,029	278,573,782
Profit for six-month period	-	-	377,892	377,892	1,538,776
Balance as at 30 June 2019 (USD) (Unaudited)	<u>10,000,000</u>	<u>17,280,000</u>	<u>41,509,921</u>	<u>68,789,921</u>	<u>280,112,558</u>

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CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2020

	Note	Unaudited 6 months to 30 June 2020		Unaudited 6 months to 30 June 2019	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Operating activities					
Profit before income tax		419,307	1,716,222	472,365	1,923,470
Adjustments for:					
Amortisation of intangible assets	9	1,419	5,808	2,597	10,575
Depreciation of property, plant and equipment	8	719,440	2,944,668	859,244	3,498,842
Interest expense	20	208,187	852,109	188,154	766,163
Interest income		(876)	(3,585)	(828)	(3,372)
Operating profit before working capital		1,347,477	5,515,222	1,521,532	6,195,678
Changes in working capital:					
Change in inventories		(3,154,561)	(12,911,618)	(1,306,529)	(5,320,186)
Change in trade and other receivables		7,420,309	30,371,325	771,904	3,143,192
Change in trade and other payables		(4,842,945)	(19,822,174)	1,223,208	4,980,903
Cash generated from operating activities		770,280	3,152,755	2,210,115	8,999,587
Income tax paid		(7,157)	(29,294)	(33,962)	(138,293)
Net cash from operating activities		763,123	3,123,461	2,176,153	8,861,294
Investing activities					
Purchases of property, plant and equipment	8	(390,734)	(1,599,274)	(2,065,190)	(8,409,454)
Interest received		876	3,585	828	3,372
Net cash used in investing activities		(389,858)	(1,595,689)	(2,064,362)	(8,406,082)
Financing activities					
(Repayment to)/advances from related parties		-	-	(2,152,273)	(8,764,056)
Interest paid	20	(208,187)	(852,109)	(188,154)	(766,163)
Repayment of bank borrowings	16	(7,638,157)	(31,262,977)	(5,709,367)	(23,248,543)
Drawdown of borrowings	16	7,430,000	30,410,990	7,560,000	30,784,320
Net cash used in financing activities		(416,344)	(1,704,096)	(489,794)	(1,994,442)
Net change in cash and cash equivalents		(43,079)	(176,324)	(378,003)	(1,539,230)
Cash and cash equivalents, at the beginning of period		641,825	2,615,437	1,032,863	4,177,931
Currency translation difference		-	11,554	-	27,889
Cash and cash equivalents, at the end of period		598,746	2,450,667	654,860	2,666,590

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

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. On 16 June 2014, the Company was listed on the Cambodia Securities Exchange.

The registered office and principal place of business of the Company is at Phum Trapeangpoe, Sangkat Chom Chao, Khan Posenchey, Phnom Penh, Kingdom of 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 condensed interim financial statements are as at and for the period ended 30 June 2020. 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 the 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 2019 and notes to the condensed interim 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 for measurement and presentation purpose 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.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2020

4. FUNCTIONAL AND PRESENTATION CURRENCY (CONT'D)

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 KHR4,093 for the quarter ended 30 June 2020 (2019: KHR4,072) and closing rate USD1 to KHR4,093 as at 30 June 2020 (31 December 2019: KHR4.075) as announced by the National Bank of Cambodia ("NBC"). 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 2019.

6. SEASONALITY OR CYCLICALITY OF OPERATION

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

7. USE OF ESTIMATES AND JUDGEMENTS

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.

Please refer to Note 30 for further details on the potential impact on the current pandemic development affecting the global economy and Company in general.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2020****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 2020	3,880,000	8,971,311	17,645,735	117,420	1,924,991	32,539,457
Additions	-	-	375,323	-	15,411	390,734
Balance at 30 June 2020	3,880,000	8,971,311	18,021,058	117,420	1,940,402	32,930,191
Depreciation						
Balance at 1 January 2020	(310,400)	(5,416,875)	(10,731,442)	(112,053)	(1,745,209)	(18,315,979)
Depreciation	(19,200)	(116,276)	(556,087)	(1,191)	(26,686)	(719,440)
Balance at 30 June 2020	(329,600)	(5,533,151)	(11,287,529)	(113,244)	(1,771,895)	(19,035,419)
Carrying amount at 30 June 2020 (USD)	3,550,400	3,438,160	6,733,529	4,176	168,507	13,894,772
KHR'000 (Note 4)	14,531,787	14,072,388	27,560,334	17,092	689,701	56,871,302
Audited						
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	-	-	2,369,862	-	96,597	2,466,459
Balance at 31 December 2019	3,880,000	8,971,311	17,645,735	117,420	1,924,991	32,539,457
Depreciation						
Balance at 1 January 2019	(271,600)	(4,968,309)	(9,423,515)	(108,848)	(1,674,961)	(16,447,233)
Depreciation	(38,800)	(448,566)	(1,307,927)	(3,205)	(70,248)	(1,868,746)
Balance at 31 December 2019	(310,400)	(5,416,875)	(10,731,442)	(112,053)	(1,745,209)	(18,315,979)
Carrying amount at 31 December 2019 (USD)	3,569,600	3,554,436	6,914,293	5,367	179,782	14,223,478
KHR'000 (Note 4)	14,546,120	14,484,327	28,175,744	21,871	732,611	57,960,673

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 JUNE 2020

9. INTANGIBLE ASSETS

	Computer software	
	Unaudited	Audited
	2020	2019
	USD	USD
Gross carrying amount		
Balance at 30 June/December	224,957	224,957
Amortisation		
Balance at 1 January	(217,357)	(212,163)
Amortisation	(1,419)	(5,194)
Balance at 30 June/December	(218,776)	(217,357)
Carrying amount at 30 June/December	6,181	7,600
KHR'000 (Note 4)	25,299	30,970

10. INVENTORIES

	Unaudited		Audited	
	30 June 2020	31 December 2019		
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
Raw materials	14,070,437	57,590,297	8,949,541	36,469,380
Work-in-progress	4,743,395	19,414,717	4,269,521	17,398,298
Finished goods	6,236,408	25,525,618	8,676,617	35,357,214
	25,050,240	102,530,632	21,895,679	89,224,892

11. TRADE AND OTHER RECEIVABLES

	Unaudited		Audited	
	30 June 2020	31 December 2019		
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
Trade receivables				
Amount due from related party				
QMI Industrial Co., Ltd.	46,213,488	189,151,806	53,543,145	218,188,316
Other receivables				
Amount due from related party				
Quint Major Industrial Co., Ltd.	24,358	99,697	161,927	659,853
Value-added tax receivables	1,508,908	6,175,960	1,484,102	6,047,716
Prepayments				
QMI Industrial Co., Ltd.	33,409	136,743	23,501	95,767
Other third parties	1,801,758	7,374,596	1,789,555	7,292,435
	3,368,433	13,786,996	3,459,085	14,095,771
	49,581,921	202,938,802	57,002,230	232,284,087

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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 JUNE 2020

12. CASH AND CASH EQUIVALENTS

	Unaudited 30 June 2020		Audited 31 December 2019	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Cash on hand	49,210	201,416	99,641	406,037
Cash in banks	549,536	2,249,251	542,184	2,209,400
	<u>598,746</u>	<u>2,450,667</u>	<u>641,825</u>	<u>2,615,437</u>

13. SHARE CAPITAL

	Unaudited 30 June 2020		Audited 31 December 2019	
	Shares	USD	Shares	USD
Ordinary shares of USD 0.25 each Authorised	<u>200,000,000</u>	<u>50,000,000</u>	<u>200,000,000</u>	<u>50,000,000</u>
Issued and fully paid: KHR'000 (Note 4)	<u>40,000,000</u>	<u>10,000,000</u>	<u>40,000,000</u>	<u>10,000,000</u>
	<u>-</u>	<u>40,930,000</u>	<u>-</u>	<u>40,450,000</u>

14. SHARE PREMIUM

The share premium 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 30 June 2020		Audited 31 December 2019	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Non-current				
Other payables	<u>990,000</u>	<u>4,052,070</u>	<u>1,170,000</u>	<u>4,767,750</u>
Current				
None trade				
Trade payables	888,616	3,637,105	1,259,582	5,132,797
Amounts due to related parties				
Quint Major Industrial Co., Ltd	6,669,088	27,296,576	7,954,820	32,415,892
QMI Industrial Co., Ltd	118,243	483,969	2,832,549	11,542,637
Accruals	1,368,036	5,599,372	1,659,457	6,762,287
Withholding tax payables	335,580	1,373,529	335,580	1,367,489
Other payables	380,168	1,556,028	380,688	1,551,303
	<u>9,759,731</u>	<u>39,946,579</u>	<u>14,422,676</u>	<u>58,772,405</u>

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**NOTES TO THE INTERIM FINANCIAL INFORMATION
FOR THE PERIOD ENDED 30 JUNE 2020**

10,749,731	43,998,649	15,592,676	63,540,155
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NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED 30 JUNE 2020

16. BORROWINGS

		Unaudited 30 June 2020		Audited 31 December 2019
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Short-term loans				
First Commercial Bank (Note 16.1)	6,400,000	26,195,200	6,400,000	26,080,000
Taiwan Cooperative Bank (Note 16.2)	2,034,831	8,328,563	2,242,988	9,140,176
	<u>8,434,831</u>	<u>34,523,763</u>	<u>8,642,988</u>	<u>35,220,176</u>

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 nine 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 6 July 2018 for a one-year term. The annual interest on the loan is the floating rate of six months LIBOR rate plus 3.8% \geq 5%.

The loan was subsequently renewed on 4 September 2019 for another one-year term. The annual interest rate 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 six-months period to 30 June 2020, the Company paid the principal amounting to USD7,430,000 (2019: USD11,960,000) and drawn down an aggregate amount of USD7,430,000 (2019: USD13,960,000).

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 over 84 months starting from the date of first drawdown. On 29 November 2017 and 22 December 2017, the Company drawn down USD2,000,000 and USD1,000,000, 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;

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16. BORROWINGS (CONT'D)

16.2. Term loan with the Taiwan Cooperative Bank (Cont'd)

- ii. First-rank hypothec over the real properties owned by Mr. Yang Shaw Shin (including land(s) and all constructions) as follows:
- 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.

For the six-months period to 30 June 2020, the Company paid the principal amounting to USD208,157 (2019: USD373,939).

According to covenants in the loan agreement entered into between the Company and Taiwan Cooperative Bank, the financial indicators of the Company shall not be weaker than the following:

Financial indicators	Performance mark
Current ratio	1.0
Debt asset ratio	0.75
Return on Equity ratio	20% per annum

The Company has not met the return on equity ratio covenant for the financial year ended 31 December 2019. As at 30 June 2020, the Company's return on equity is 0.55% and debt to asset ratio is 0.23 for the 6 month period ended on that date. On an annualised basis, this would also constitute a breach of the return on equity ratio covenant. The Company has not applied nor obtained any dispensation from the lender for the breach of the loan covenant.

17. REVENUE

	USD	Unaudited 3 months to 30 June 2020 KHR'000 (Note 4)	USD	Unaudited 3 months to 30 June 2019 KHR'000 (Note 4)
Sale of goods	30,345,038	124,202,240	43,532,887	177,265,916
Subcontract revenue	541,330	2,215,664	-	-
	<u>30,886,368</u>	<u>126,417,904</u>	<u>43,532,887</u>	<u>177,265,916</u>

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17. REVENUE (CONT'D)

	USD	Unaudited 6 months to 30 June 2020 KHR'000 (Note 4)	USD	Unaudited 6 months to 30 June 2019 KHR'000 (Note 4)
Sale of goods	60,547,391	247,820,475	80,313,379	327,036,079
Subcontract revenue	1,006,118	4,118,037	-	-
	<u>61,553,509</u>	<u>251,938,512</u>	<u>80,313,379</u>	<u>327,036,079</u>

18. COST OF SALES

	USD	Unaudited 3 months to 30 June 2020 KHR'000 (Note 4)	USD	Unaudited 3 months to 30 June 2019 KHR'000 (Note 4)
Direct materials	18,679,496	76,455,178	27,139,285	110,511,170
Direct labour	2,520,527	10,316,518	4,259,422	17,344,367
Overhead	7,942,675	32,509,367	9,681,994	39,425,077
	<u>29,142,698</u>	<u>119,281,063</u>	<u>41,080,701</u>	<u>167,280,614</u>

	USD	Unaudited 6 months to 30 June 2020 KHR'000 (Note 4)	USD	Unaudited 6 months to 30 June 2019 KHR'000 (Note 4)
Direct materials	39,341,687	161,025,525	53,377,117	217,351,620
Direct labour	4,487,645	18,367,931	7,778,554	31,674,272
Overhead	14,160,878	57,960,474	13,875,924	56,502,763
	<u>57,990,210</u>	<u>237,353,930</u>	<u>75,031,595</u>	<u>305,528,655</u>

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19. OTHER INCOME

	USD	Unaudited 3 months to 30 June 2020 KHR'000 (Note 4)	USD	Unaudited 3 months to 30 June 2019 KHR'000 (Note 4)
Interest income	485	1,985	485	1,975
Rental income	66,431	271,902	-	-
Realised foreign exchange gain	2,491	10,196	691	2,813
Others	23,855	97,639	2,177	8,865
	<u>93,262</u>	<u>381,722</u>	<u>3,353</u>	<u>13,653</u>

	USD	Unaudited 6 months to 30 June 2020 KHR'000 (Note 4)	USD	Unaudited 6 months to 30 June 2019 KHR'000 (Note 4)
Interest income	876	3,585	828	3,372
Rental income	122,751	502,420	-	-
Realised foreign exchange gain	4,487	18,365	1,664	6,776
Others	96,485	394,914	16,680	67,921
	<u>224,599</u>	<u>919,284</u>	<u>19,172</u>	<u>78,069</u>

20. FINANCE COSTS

This amount represents interest expense on borrowings.

21. 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.

Please refer to Note 26 for the explanation on the tax contingencies in Cambodia.

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22. EARNINGS PER SHARE

	USD	Unaudited 3 months to 30 June 2020 KHR'000 (Note 4)	USD	Unaudited 3 months to 30 June 2019 KHR'000 (Note 4)
Profit attributable to ordinary equity holders	179,884	736,264	205,520	836,878
Weighted average number of shares in issue	40,000,000	40,000,000	40,000,000	40,000,000
Basic earnings per share	0.004	0.018	0.005	0.021
Diluted earnings per share	0.004	0.018	0.005	0.021

	USD	Unaudited 6 months to 30 June 2020 KHR'000 (Note 4)	USD	Unaudited 6 months to 30 June 2019 KHR'000 (Note 4)
Profit attributable to ordinary equity holders	335,422	1,372,881	377,892	1,538,776
Weighted average number of shares in issue	40,000,000	40,000,000	40,000,000	40,000,000
Basic earnings per share	0.008	0.034	0.009	0.038
Diluted earnings per share	0.008	0.034	0.009	0.038

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.

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23. RELATED PARTY BALANCES AND TRANSACTIONS

The following balances are outstanding with related parties:

			30 June 2020		31 December 2019	
			USD	KHR'000	USD	KHR'000
Amounts due from						
QMI Industrial Co., Ltd	Common control	Trade receivables	46,213,488	189,151,806	53,543,145	218,188,316
		Non-trade receivables	33,409	136,743	23,501	95,767
Quint Major Industrial Co., Ltd.	Common control	Trade receivables	24,358	99,697	161,927	659,853
			<u>46,271,255</u>	<u>189,388,246</u>	<u>53,728,573</u>	<u>218,943,936</u>
Amounts due to						
Quint Major Industrial Co., Ltd	Common control	Trade payables	6,669,088	27,296,576	7,954,820	32,415,892
QMI Industrial Co., Ltd	Common control	Trade payables	118,243	483,969	2,832,549	11,542,637
			<u>6,787,331</u>	<u>27,780,545</u>	<u>10,787,369</u>	<u>43,958,529</u>

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 3 months to 30 June 2020		Unaudited 3 months to 30 June 2019	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
<u>Under common control</u>				
QMI Industrial Co., Ltd				
Sales	30,345,038	124,202,240	42,251,626	172,048,620
Purchases of raw materials	15,312,284	62,673,178	27,282,249	111,093,318
Purchases of machinery	62,000	253,766	103,793	422,647
Purchases of fixed assets	2,663	10,898	-	-
Cash collection	11,861,017	48,547,142	10,120,626	41,211,188
Offset with trade payables	15,312,284	62,673,178	27,282,249	111,093,318
Payments on behalf for the Company	326,229	1,335,257	1,363,681	5,552,909
Payments on behalf by the Company	141,680	579,895	74,234	302,280
Advances to the Company	165,000	675,345	430,000	1,750,960
Repayment of advances by the Company	165,000	675,345	430,000	1,750,960

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23. RELATED PARTY BALANCES AND TRANSACTIONS (CONT'D)

Quint Major Industrial Co., Ltd.

Subcontract cost	4,605,168	18,848,951	4,569,452	18,606,809
Rental machinery	66,431	271,902	-	-
Repayment	4,499,000	18,414,407	3,582,000	14,585,904

		Unaudited 6 months to 30 June 2020		Unaudited 6 months to 30 June 2019
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
<u>Under common control</u>				
QMI Industrial Co., Ltd				
Sales	60,547,392	247,820,474	78,265,608	318,697,555
Purchases of raw materials	38,530,863	157,706,821	51,937,978	211,491,446
Purchases of machinery	339,323	1,388,850	1,989,643	8,101,827
Purchases of fixed assets	3,701	15,150	-	-
Cash collection	25,906,413	106,034,947	23,830,247	97,036,766
Offset with trade payables	40,360,032	165,193,613	51,937,978	211,491,446
Payments on behalf for the Company	329,968	1,350,559	1,749,923	7,125,687
Payments on behalf by the Company	471,309	1,929,068	105,390	429,146
Advances to the Company	345,000	1,412,085	600,000	2,443,200
Repayment of advances by the Company	345,000	1,412,085	620,000	2,524,640

Quint Major Industrial Co., Ltd.

Subcontract cost	8,831,268	36,146,380	5,743,026	23,385,602
Rental machinery	122,751	502,420	-	-
Repayment	10,117,000	41,408,881	4,502,000	18,332,144

24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

		Unaudited 30 June 2020		Audited 31 December 2019
	USD	KHR'000	USD	KHR'000
Financial assets				
Amortised cost				
Trade and other receivables*	46,237,846	189,251,504	53,705,072	218,848,169
Cash and cash equivalents	598,746	2,450,667	641,825	2,615,437
	46,836,592	191,702,171	54,346,897	221,463,606

* Excludes prepayments and VAT receivables.

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24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONT'D)

	Unaudited 30 June 2020		Audited 31 December 2019	
	USD	KHR'000	USD	KHR'000
Financial liabilities				
Amortised cost				
Trade and other payables**	10,414,151	42,625,122	15,257,096	62,172,666
Borrowings	8,434,831	34,523,763	8,642,988	35,220,176
	<u>18,848,982</u>	<u>77,148,885</u>	<u>23,900,084</u>	<u>97,392,842</u>

** Excludes withholding tax payables.

25. 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.

25.1 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.

25.2 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.

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25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

25.3 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.

26. 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.

27. 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 2019: USD5,913,044). As of 30 June 2020, the construction of the building where the research office will be located is still in progress.

28. SIGNIFICANT EVENT DURING THE REPORTING PERIOD

There is no significant event during the reporting period except as disclosed in Note 30.

29. EVENT AFTER THE REPORTING PERIOD

There is no significant adjusting or non-adjusting event that has occurred between 30 June 2020 and the date of authorisation of the Condensed Interim Financial Statements except as disclosed in Note 30.

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30. IMPACT OF COVID-19

The impact of Coronavirus (“COVID-19”) pandemic has spread across various geographic globally. On January 30 2020, the World Health Organization (“WHO”) declared an international health emergency due to the outbreak of COVID-19 virus. Since March 11 2020, the WHO has characterized the spread of COVID-19 as a global pandemic. The continuing spread of COVID-19 virus has caught the world off-guard, with major implications for personal health, business continuity and world economic order. The National Bank of Cambodia and the Royal Government of Cambodia have taken steps primarily to help businesses during this tough time. Management will continue to monitor the potential impact and will take all steps to mitigate any effects, including but not limited to the following :-

(i) Expected credit losses

Management has assessed and analyzed events that can be identified and have correlations to the probability of defaults rates of the expected credit loss model of the Company. As at 30 June 2020, no correlations have been identified between current macroeconomic conditions adjusted for COVID-19 that are relevant for the Company to use in making credit loss estimates.

(ii) Valuations estimates and judgements

The Company has considered potential impacts of the current economic volatility in determination of the reported amounts of the Company’s financial and non-financial assets (such as property, plant and equipment, inventories and etc) and these are considered to represent management’s best assessment based on observable information. The assessment is subject to volatility that may arose as a result of the development in the Covid-19 situation and may be sensitive to any significant adverse deterioration in the business environment of the Company.

31. AUTHORISATION OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The Condensed Interim Financial Statements as at and for the period ended 30 June 2020 were approved for issue by the Board of Directors on 10 September 2020.