

**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 September 2020**

# **GRAND TWINS INTERNATIONAL (CAMBODIA) PLC**

(Incorporated in Cambodia)

Registration No: 00012347

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**GRAND TWINS INTERNATIONAL (CAMBODIA) PLC**  
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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 September 2020, and the related condensed interim statement of profit or loss and other comprehensive income, changes in equity and cash flows for the nine-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 September 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

12 NOV 2020

**GRAND TWINS INTERNATIONAL (CAMBODIA) PLC**

(Incorporated in Cambodia)

Registration No: 00012347

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30  
SEPTEMBER 2020**

	Note	Unaudited		Audited	
		30 September 2020		31 December 2019	
		USD	KHR'000	USD	KHR'000
			(Note 4)		(Note 4)
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	8	13,539,560	55,512,196	14,223,478	57,960,673
Intangible assets	9	5,471	22,431	7,600	30,970
		<u>13,545,031</u>	<u>55,534,627</u>	<u>14,231,078</u>	<u>57,991,643</u>
<b>CURRENT ASSETS</b>					
Inventories	10	20,972,364	85,986,692	21,895,679	89,224,892
Trade and other receivables	11	52,493,877	215,224,896	57,002,230	232,284,087
Cash and cash equivalents	12	747,051	3,062,909	641,825	2,615,437
		<u>74,213,292</u>	<u>304,274,497</u>	<u>79,539,734</u>	<u>324,124,416</u>
<b>TOTAL ASSETS</b>		<u>87,758,323</u>	<u>359,809,124</u>	<u>93,770,812</u>	<u>382,116,059</u>
<b>EQUITY AND LIABILITY</b>					
<b>EQUITY</b>					
Share capital	13	10,000,000	41,000,000	10,000,000	40,450,000
Share premium	14	17,280,000	70,848,000	17,280,000	69,897,600
Retained earnings		41,958,736	172,030,817	41,392,539	167,434,643
Currency translation difference		-	-	-	2,058,353
<b>TOTAL EQUITY</b>		<u>69,238,736</u>	<u>283,878,817</u>	<u>68,672,539</u>	<u>279,840,596</u>
<b>LIABILITIES</b>					
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities		572,107	2,345,639	572,107	2,331,336
Trade and other payables	15	900,000	3,690,000	1,170,000	4,767,750
		<u>1,472,107</u>	<u>6,035,639</u>	<u>1,742,107</u>	<u>7,099,086</u>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	15	8,245,909	33,808,227	14,422,676	58,772,405
Borrowings	16	8,323,028	34,124,415	8,642,988	35,220,176
Income tax liabilities		478,543	1,962,026	290,502	1,183,796
<b>Current liabilities</b>		<u>17,047,480</u>	<u>69,894,668</u>	<u>23,356,166</u>	<u>95,176,377</u>
<b>TOTAL LIABILITIES</b>		<u>18,519,587</u>	<u>75,930,307</u>	<u>25,098,273</u>	<u>102,275,463</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>87,758,323</u>	<u>359,809,124</u>	<u>93,770,812</u>	<u>382,116,059</u>

# GRAND TWINS INTERNATIONAL (CAMBODIA) PLC

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

	Note	Unaudited 3 months to 30 September 2020		Unaudited 3 months to 30 September 2019	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Revenue	17	28,821,072	118,166,395	45,557,873	186,605,048
Cost of sales	18	(27,029,443)	(110,820,716)	(42,506,357)	(174,106,038)
<b>Gross profit</b>		1,791,629	7,345,679	3,051,516	12,499,010
Other income	19	71,952	295,003	21,521	88,150
Administrative expenses		(905,899)	(3,714,186)	(1,093,834)	(4,480,344)
Distribution costs		(465,708)	(1,909,403)	(1,612,986)	(6,606,791)
Other expenses		(18,868)	(77,359)	(19,519)	(79,950)
<b>Operating profit</b>		473,106	1,939,734	346,698	1,420,075
Finance income	19	298	1,222	420	1,720
Finance costs	20	(106,629)	(437,179)	(130,930)	(536,289)
<b>Profit before income tax</b>		366,775	1,503,777	216,188	885,506
Income tax expense	21	(136,000)	(557,600)	(43,238)	(177,103)
<b>Profit for the period</b>		230,775	946,177	172,950	708,403
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		230,775	946,177	172,950	708,403

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

	Notes	Unaudited 3 months to 30 September 2020		Unaudited 3 months to 30 September 2019	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Basic earnings per share	22	0.006	0.024	0.004	0.018
Diluted earnings per share	22	0.006	0.024	0.004	0.018

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

	Note	Unaudited 9 months to 30 September 2020		Unaudited 9 months to 30 September 2019	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Revenue	17	90,374,581	370,535,782	125,871,252	515,568,648
Cost of sales	18	(85,019,653)	(348,580,577)	(117,537,952)	(481,435,451)
<b>Gross profit</b>		5,354,928	21,955,205	8,333,300	34,133,197
Other income	19	295,675	1,212,268	39,866	163,291
Administrative expenses		(3,076,112)	(12,612,059)	(3,274,009)	(13,410,341)
Distribution costs		(1,381,151)	(5,662,719)	(4,027,916)	(16,498,344)
Other expenses		(93,617)	(383,830)	(64,850)	(265,626)
<b>Operating profit</b>		1,099,723	4,508,865	1,006,391	4,122,177
Finance income	19	1,174	4,813	1,246	5,104
Finance costs	20	(314,815)	(1,290,742)	(319,084)	(1,306,968)
<b>Profit before income tax</b>		786,082	3,222,936	688,553	2,820,313
Income tax expense	21	(219,885)	(901,529)	(137,711)	(564,064)
<b>Profit for the period</b>		566,197	2,321,407	550,842	2,256,249
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		566,197	2,321,407	550,842	2,256,249

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

	Notes	Unaudited 9 months to 30 September 2020		Unaudited 9 months to 30 September 2019	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Basic earnings per share	22	0.014	0.058	0.014	0.056
Diluted earnings per share	22	0.014	0.058	0.014	0.056

## GRAND TWINS INTERNATIONAL (CAMBODIA) PLC

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

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	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	281,557,410
Profit for nine-month period	-	-	566,197	566,197	2,321,407
Balance as at 30 September 2020 (USD)	10,000,000	17,280,000	41,958,736	69,238,736	283,878,817
Balance as at 1 January 2019 (Audited)	10,000,000	17,280,000	41,132,029	68,412,029	280,215,671
Profit for nine-month period	-	-	550,842	550,842	2,256,249
Dividends paid	-	-	(600,000)	(600,000)	(2,457,600)
Balance as at 30 September 2019 (USD) (Unaudited)	10,000,000	17,280,000	41,082,871	68,362,871	280,014,320



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

	Note	Unaudited 9 months to 30 September 2020		Unaudited 9 months to 30 September 2019	
		USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Operating activities					
Profit before income tax		786,082	3,222,936	688,553	2,820,313
Adjustments for:					
Amortisation of intangible assets	9	2,129	8,729	3,896	15,958
Depreciation of property, plant and equipment	8	1,084,699	4,447,266	1,309,510	5,363,753
Interest expense		314,815	1,290,742	319,084	1,306,968
Interest income		(1,174)	(4,813)	(1,246)	(5,104)
Operating profit before working capital		2,186,551	8,964,860	2,319,797	9,501,888
Changes in working capital:					
Change in inventories		923,315	3,785,592	(49,118)	(201,187)
Change in trade and other receivables		4,508,353	18,484,247	721,542	2,955,435
Change in trade and other payables		(6,446,767)	(26,431,745)	1,180,381	4,834,841
Cash generated from operating activities		1,171,452	4,802,954	4,172,602	17,090,977
Income tax paid		(31,844)	(130,560)	(75,214)	(308,077)
Net cash from operating activities		1,139,608	4,672,394	4,097,388	16,782,900
Investing activities					
Purchases of property, plant and equipment	8	(400,781)	(1,643,202)	(2,202,175)	(9,020,109)
Interest received		1,174	4,813	1,246	5,104
Net cash used in investing activities		(399,607)	(1,638,389)	(2,200,929)	(9,015,005)
Financing activities					
Repayment to related parties		-	-	(2,588,221)	(10,601,353)
Interest paid		(314,815)	(1,290,742)	(319,084)	(1,306,968)
Repayment of bank borrowings	16	(12,289,960)	(50,388,836)	(8,064,355)	(33,031,598)
Drawdown of borrowings	16	11,970,000	49,077,000	9,820,000	40,222,720
Dividends paid		-	-	(600,000)	(2,457,600)
Net cash used in financing activities		(634,775)	(2,602,578)	(1,751,660)	(7,174,799)
Net change in cash and cash equivalents		105,226	431,427	144,799	593,096
Cash and cash equivalents, at the beginning of period		641,825	2,615,437	1,032,863	4,177,931
Currency translation difference		-	16,045	-	52,677
Cash and cash equivalents, at the end of period		747,051	3,062,909	1,177,662	4,823,704

# GRAND TWINS INTERNATIONAL (CAMBODIA) PLC

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## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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### 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 September 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 SEPTEMBER 2020**

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#### **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 KHR4,100 for the quarter ended 30 September 2020 (2019: KHR4,096) and closing rate USD1 to KHR4,100 as at 30 September 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 SEPTEMBER 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
<b>Unaudited</b>						
Cost						
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	-	25,458	400,781
Balance at 30 September 2020	3,880,000	8,971,311	18,021,058	117,420	1,950,449	32,940,238
Accumulated depreciation						
Balance at 1 January 2020	(310,400)	(5,416,875)	(10,731,442)	(112,053)	(1,745,209)	(18,315,979)
Depreciation	(28,800)	(174,415)	(838,407)	(1,754)	(41,323)	(1,084,699)
Balance at 30 September 2020	(339,200)	(5,591,290)	(11,569,849)	(113,807)	(1,786,532)	(19,400,678)
Carrying amount at 30 September 2020 (USD)	3,540,800	3,380,021	6,451,209	3,613	163,917	13,539,560
KHR'000 (Note 4)	14,517,280	13,858,086	26,449,957	14,813	672,060	55,512,196
<b>Audited</b>						
Cost						
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
Accumulated 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 STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

### 9. INTANGIBLE ASSETS

	Computer software	
	Unaudited	Audited
	2020	2019
	USD	USD
Gross carrying amount		
Balance at 30 September/December	224,957	224,957
Amortisation		
Balance at 1 January	(217,357)	(212,163)
Amortisation	(2,129)	(5,194)
Balance at 30 September /December	(219,486)	(217,357)
Carrying amount at 30 September/December	5,471	7,600
KHR'000 (Note 4)	22,431	30,970

### 10. INVENTORIES

	Unaudited		Audited	
	30 September 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
Raw materials	13,476,491	55,253,613	8,949,541	36,469,380
Work-in-progress	4,526,142	18,557,182	4,269,521	17,398,298
Finished goods	2,969,731	12,175,897	8,676,617	35,357,214
	20,972,364	85,986,692	21,895,679	89,224,892

### 11. TRADE AND OTHER RECEIVABLES

	Unaudited		Audited	
	30 September 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.	48,493,225	198,822,223	53,543,145	218,188,316
Other receivables				
Amount due from related party				
Quint Major Industrial Co., Ltd.	71,833	294,515	161,927	659,853
Other third parties	491,148	2,013,707	-	-
Value-added tax receivables	1,597,911	6,551,435	1,484,102	6,047,716
Prepayments				
QMI Industrial Co., Ltd.	33,399	136,936	23,501	95,767
Other third parties	1,806,361	7,406,080	1,789,555	7,292,435
	4,000,652	16,402,673	3,459,085	14,095,771
	52,493,877	215,224,896	57,002,230	232,284,087

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## NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

### 12. CASH AND CASH EQUIVALENTS

	Unaudited		Audited	
	30 September 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
Cash on hand	74,127	303,921	99,641	406,037
Cash in banks	672,924	2,758,988	542,184	2,209,400
	<u>747,051</u>	<u>3,062,909</u>	<u>641,825</u>	<u>2,615,437</u>

### 13. SHARE CAPITAL

	Unaudited		Audited	
	30 September 2020		31 December 2019	
	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)	-	41,000,000	-	40,450,000

### 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		Audited	
	30 September 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
		(Note 4)		(Note 4)
<b>Non-current</b>				
Other payables	900,000	3,690,000	1,170,000	4,767,750
<b>Current</b>				
Trade payables	956,769	3,922,753	1,259,582	5,132,797
Amounts due to related parties				
Quint Major Industrial Co., Ltd	5,516,229	22,616,539	7,954,820	32,415,892
QMI Industrial Co., Ltd	145,460	596,386	2,832,549	11,542,637
Accruals	1,275,094	5,227,885	1,659,457	6,762,287
Withholding tax payables	335,580	1,375,878	335,580	1,367,489
Other payables	16,777	68,786	380,688	1,551,303
	<u>8,245,909</u>	<u>33,808,227</u>	<u>14,422,676</u>	<u>58,772,405</u>
	<u>9,145,909</u>	<u>37,498,227</u>	<u>15,592,676</u>	<u>63,540,155</u>

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### NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

#### 16. BORROWINGS

	Unaudited 30 September 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	26,240,000	6,400,000	26,080,000
Taiwan Cooperative Bank (Note 16.2)	1,923,028	7,884,415	2,242,988	9,140,176
	<u>8,323,028</u>	<u>34,124,415</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 term loan is overdue as at the end of the reporting period. However, there is no letter of demand issued by the bank and the management is in the midst of applying renewal of the term loan.

The short-term loan is secured by the following:

- Letter of guarantee by Mr. Yang Shaw Shin, Director of the Company;
- First mortgage on the land owned by Mr. Yang Shaw Shin with title deed No. 12050501-0119, dated on 9 April 2013 located at Phum Chum Pou Voin, Trapaing Por, Sangkat Chom Chao, Khan Dangkor, Phnom Penh, Cambodia; and,
- All present and future assets of the Company.

For the nine-months period to 30 September 2020, the Company paid the principal amounting to USD11,970,000 (2019: USD7,820,000) and drawn down an aggregate amount of USD11,970,000 (2019: USD9,820,000).

##### 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.

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#### 16. BORROWINGS (CONT'D)

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

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 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 226,697m<sup>2</sup>, 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 m<sup>2</sup>, locate at Phum Chorm Pol, Khum Porpel, Srok Tram Kak, Takeo province, Cambodia.

For the nine-months period to 30 September 2020, the Company paid the principal amounting to USD319,960 (2019: USD244,355).

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 and debt asset ratio covenant for the financial year ended 31 December 2019. As at 30 September 2020, the Company's return on equity is 0.82% and debt to asset ratio is 0.21 for the 9 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

	Unaudited 3 months to 30 September 2020		Unaudited 3 months to 30 September 2019	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Sale of goods	28,278,000	115,939,800	45,557,873	186,605,048
Subcontract revenue	524,374	2,149,933	-	-
Cut, Make and Pack revenue	18,698	76,662	-	-
	<u>28,821,072</u>	<u>118,166,395</u>	<u>45,557,873</u>	<u>186,605,048</u>



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#### 17. REVENUE (CONT'D)

	Unaudited 9 months to 30 September 2020		Unaudited 9 months to 30 September 2019	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Sale of goods	87,214,788	357,580,631	125,871,252	515,568,648
Subcontract revenue	1,530,491	6,275,013	-	-
Sale discount	1,610,604	6,603,476	-	-
Cut, Make and Pack revenue	18,698	76,662	-	-
	<u>90,374,581</u>	<u>370,535,782</u>	<u>125,871,252</u>	<u>515,568,648</u>

#### 18. COST OF SALES

	Unaudited 3 months to 30 September 2020		Unaudited 3 months to 30 September 2019	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Direct materials	18,610,988	76,305,051	27,772,249	113,755,132
Direct labour	2,334,704	9,572,286	3,702,852	15,166,882
Overhead	6,083,751	24,943,379	11,031,256	45,184,024
	<u>27,029,443</u>	<u>110,820,716</u>	<u>42,506,357</u>	<u>174,106,038</u>

	Unaudited 9 months to 30 September 2020		Unaudited 9 months to 30 September 2019	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Direct materials	57,952,675	237,605,968	81,149,366	332,387,803
Direct labour	6,822,349	27,971,631	11,136,140	45,613,629
Overhead	20,244,629	83,002,979	25,252,446	103,434,019
	<u>85,019,653</u>	<u>348,580,578</u>	<u>117,537,952</u>	<u>481,435,451</u>

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#### 19. OTHER INCOME

	Unaudited 3 months to 30 September 2020		Unaudited 3 months to 30 September 2019	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Interest income	298	1,222	420	17,203
Rental income	70,448	288,837	-	-
Realised foreign exchange gain	1,101	4,514	13,711	56,160
Others	403	1,652	7,811	31,990
	<u>72,250</u>	<u>296,225</u>	<u>21,942</u>	<u>105,353</u>

	Unaudited 9 months to 30 September 2020		Unaudited 9 months to 30 September 2019	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Interest income	1,174	4,813	1,246	5,104
Rental income	193,200	792,116	-	-
Realised foreign exchange gain	8,087	33,157	15,375	62,976
Others	94,388	386,991	24,491	100,315
	<u>296,849</u>	<u>1,217,077</u>	<u>41,112</u>	<u>168,395</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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### NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

#### 22. EARNINGS PER SHARE

	Unaudited 3 months to 30 September 2020		Unaudited 3 months to 30 September 2019	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Profit attributable to ordinary equity holders	230,775	946,177	172,950	708,403
Weighted average number of shares in issue	40,000,000	40,000,000	40,000,000	40,000,000
Basic earnings per share	0.006	0.024	0.004	0.018
Diluted earnings per share	0.006	0.024	0.004	0.018

	Unaudited 9 months to 30 September 2020		Unaudited 9 months to 30 September 2019	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Profit attributable to ordinary equity holders	566,197	2,321,407	550,842	2,256,249
Weighted average number of shares in issue	40,000,000	40,000,000	40,000,000	40,000,000
Basic earnings per share	0.014	0.058	0.014	0.056
Diluted earnings per share	0.014	0.058	0.014	0.056

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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### NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

#### 23. RELATED PARTY BALANCES AND TRANSACTIONS

The following balances are outstanding with related parties:

			30 September 2020		31 December 2019	
			USD	KHR'000	USD	KHR'000
Amounts due from						
QMI Industrial Co., Ltd	Common control	Trade receivables	48,493,225	198,822,223	53,543,145	218,188,316
		Non-trade receivables	33,399	136,936	23,501	95,767
Quint Major Industrial Co., Ltd.	Common control	Trade receivables	71,833	294,515	161,927	659,853
			<u>48,598,457</u>	<u>199,253,674</u>	<u>53,728,573</u>	<u>218,943,936</u>
Amounts due to						
Quint Major Industrial Co., Ltd	Common control	Trade payables	5,516,229	22,616,539	7,954,820	32,415,892
QMI Industrial Co., Ltd	Common control	Trade payables	145,460	596,386	2,832,549	11,542,637
			<u>5,661,689</u>	<u>23,212,925</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 September 2020		Unaudited 3 months to 30 September 2019	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
<u>Under common control</u>				
QMI Industrial Co., Ltd				
Sales	28,278,000	115,939,802	44,071,767	180,517,958
Purchases of raw materials	15,104,471	61,928,329	26,184,765	107,252,796
Purchases of machinery	-	-	104,000	425,984
Purchases of fixed assets	-	-	5,323	21,802
Cash collection	10,893,792	44,664,549	17,698,062	72,491,261
Offset with trade payables	15,104,471	61,928,329	26,175,269	107,213,901
Payments on behalf for the Company	3,480	14,267	386,760	1,584,171
Payments on behalf by the Company	30,697	125,856	39,926	163,537
Advances to the Company	375,000	1,537,500	285,000	1,167,360
Repayment of advances by the Company	<u>375,000</u>	<u>1,537,500</u>	<u>255,000</u>	<u>1,044,480</u>

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### NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

Quint Major Industrial Co., Ltd.

Subcontract cost	2,500,966	10,253,960	6,233,968	25,534,331
Rental machinery	70,448	288,838	-	-
Repayment	3,653,825	14,980,683	6,000,000	24,576,000

	Unaudited 9 months to 30 September 2020		Unaudited 9 months to 30 September 2019	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)

#### Under common control

QMI Industrial Co., Ltd

Sales	88,825,392	364,184,108	122,337,375	501,093,887
Purchases of raw materials	53,635,333	219,904,866	78,122,743	319,990,754
Purchases of machinery	339,323	1,391,225	2,093,643	8,575,562
Purchases of fixed assets	3,701	15,176	5,323	21,802
Cash collection	36,800,205	150,880,841	41,528,309	170,099,953
Offset with trade payables	55,464,503	227,404,462	78,113,247	319,951,858
Payments on behalf for the Company	333,448	1,367,136	2,136,684	8,751,856
Payments on behalf by the Company	502,006	2,058,223	145,315	595,212
Advances to the Company	720,000	2,952,000	885,009	3,624,998
Repayment of advances by the Company	720,000	2,952,000	875,009	3,584,038

Quint Major Industrial Co., Ltd.

Subcontract cost	11,332,234	46,462,159	11,976,993	49,057,764
Rental machinery	193,199	792,117	-	-
Repayment	13,770,825	56,460,383	10,502,000	43,016,192

#### 24. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	Unaudited 30 September 2020		Audited 31 December 2019	
	USD	KHR'000	USD	KHR'000
Financial assets				
Amortised cost				
Trade and other receivables*	49,056,206	201,130,445	53,705,072	218,848,169
Cash and cash equivalents	747,051	3,062,909	641,825	2,615,437
	<u>49,803,257</u>	<u>204,193,354</u>	<u>54,346,897</u>	<u>221,463,606</u>

\* Excludes prepayments and VAT receivables.

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### NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

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

	Unaudited		Audited	
	30 September 2020		31 December 2019	
	USD	KHR'000	USD	KHR'000
Financial liabilities				
Amortised cost				
Trade and other payables**	8,810,329	36,122,349	15,257,096	62,172,666
Borrowings	8,323,028	34,124,415	8,642,988	35,220,176
	<u>17,133,357</u>	<u>70,246,764</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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### **NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2020**

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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 September 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 September 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 September 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 September 2020 were approved for issue by the Board of Directors on 12 November 2020.