

Registration No:
Inv.1279 E/2007

**GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(INCORPORATED IN CAMBODIA)**

**CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED 31 DECEMBER 2014**



GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)

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**REPORT ON THE REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE
SHAREHOLDERS OF GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)
(Registration No: Inv.1279 E/2007)**

Introduction

We have reviewed the accompanying condensed statement of financial position of Grand Twins International (Cambodia) Plc ("GTI" or the "Company") as at 31 December 2014, and the related condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and condensed notes to the interim financial information (collectively known as "Condensed Interim Financial Information"). The Directors of the Company are responsible for the preparation of and presentation of the Condensed Interim Financial Information. Our responsibility is to express a conclusion on this Condensed Interim Financial Information based on our review.

Scope of review

We conducted our review in accordance with 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 Condensed Interim Financial Information of GTI are not presented fairly, in all material respects, in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*.

BDO 

BDO (Cambodia) Limited

Phnom Penh, Cambodia
Date: 13 February 2015

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)

CONDENSED STATEMENT OF FINANCIAL POSITION

	Note	Unaudited as at 31.12.2014		Audited as at 31.12.2013	
		US\$	KHR'000	US\$	KHR'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	9,114,103	37,139,970	6,243,567	24,943,050
Intangible assets		10,231	41,692	13,123	52,426
Deferred tax assets		171,642	699,440	122,722	490,275
		<u>9,295,976</u>	<u>37,881,102</u>	<u>6,379,412</u>	<u>25,485,751</u>
Current assets					
Inventories	6	8,399,133	34,226,467	7,351,362	29,368,691
Trade and other receivables	7	47,677,904	194,287,459	33,718,412	134,705,056
Cash and bank balances	8	5,786,943	23,581,793	428,831	1,713,180
		<u>61,863,980</u>	<u>252,095,719</u>	<u>41,498,605</u>	<u>165,786,927</u>
TOTAL ASSETS		<u>71,159,956</u>	<u>289,976,821</u>	<u>47,878,017</u>	<u>191,272,678</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	9	10,000,000	40,750,000	8,000,000	31,960,000
Share premium	10	17,280,000	70,416,000	-	-
Retained earnings		36,605,432	149,167,135	33,133,651	132,368,936
TOTAL EQUITY		<u>63,885,432</u>	<u>260,333,135</u>	<u>41,133,651</u>	<u>164,328,936</u>
LIABILITIES					
Current liabilities					
Other payables	11	2,065,168	8,415,560	2,078,262	8,302,657
Borrowings	12	-	-	472,269	1,886,714
Current tax liabilities		5,209,356	21,228,126	4,193,835	16,754,371
		<u>7,274,524</u>	<u>29,643,686</u>	<u>6,744,366</u>	<u>26,943,742</u>
TOTAL LIABILITIES		<u>7,274,524</u>	<u>29,643,686</u>	<u>6,744,366</u>	<u>26,943,742</u>
TOTAL EQUITY AND LIABILITIES		<u>71,159,956</u>	<u>289,976,821</u>	<u>47,878,017</u>	<u>191,272,678</u>

The Condensed Statement of Financial Position should be read in conjunction with the audited financial information for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial report.

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Unaudited Three-month period ended			
		31.12.2014 ⁽¹⁾		31.12.2013 ⁽²⁾	
		US\$	KHR'000	US\$	KHR'000
Revenue	13	13,273,710	54,090,368	18,587,083	74,255,397
Cost of sales	14	(9,894,150)	(40,318,661)	(11,080,530)	(44,266,717)
Gross profit		3,379,560	13,771,707	7,506,553	29,988,680
Other income	15	90,698	369,594	1,165	4,654
Administrative expenses	16	(1,221,591)	(4,977,983)	(1,028,818)	(4,110,128)
Distribution costs	17	(905,081)	(3,688,205)	(447,349)	(1,787,159)
Finance cost	18	(16,870)	(68,745)	(8,340)	(33,318)
Other expenses		(27,449)	(111,855)	(45,488)	(181,725)
Profit before tax		1,299,267	5,294,513	5,977,723	23,881,004
Tax expense	19	(262,565)	(1,069,953)	(386,022)	(1,542,158)
Profit for the period		1,036,702	4,224,560	5,591,701	22,338,846
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the financial period		1,036,702	4,224,560	5,591,701	22,338,846
Earnings per share attributable to equity holders	20				
- Basic		0.03	0.13	0.70	2.79
- Diluted		0.03	0.13	0.70	2.79

Notes:

- (1) The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial report.
- (2) The comparative figures for the corresponding period were neither audited nor reviewed as no interim financial report was prepared for the comparative financial period concerned. Thus, the comparative figures are for information purpose only.

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIOD ENDED 31 DECEMBER 2014

	Share capital US\$	Share Premium US\$	Retained earnings US\$	Total US\$
Unaudited				
Balance as at 1 October 2014	10,000,000	17,280,000	35,568,730	62,848,730
Profit for the period, representing total comprehensive income	-	-	1,036,702	1,036,702
Balance as at 31 December 2014	10,000,000	17,280,000	36,605,432	63,885,432
<i>(KHR'000 equivalent)</i>	<i>40,750,000</i>	<i>70,416,000</i>	<i>149,167,135</i>	<i>260,333,135</i>

Notes:

- (1) *The Condensed Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial report.*
- (2) *The comparative figures for the corresponding period were neither audited nor reviewed as no interim financial report was prepared for the comparative financial period concerned. Thus, the comparative figures are for information purpose only.*

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 DECEMBER 2014

	Note	Unaudited			
		Three-month period ended			
		31.12.2014 ⁽¹⁾		31.12.2013 ⁽²⁾	
		US\$	KHR'000	US\$	KHR'000
Cash flows from operating activities					
Profit before tax		1,299,267	5,294,513	5,977,723	23,881,004
Adjustments for:					
Amortisation of intangible assets		723	2,946	988	3,947
Depreciation of property, plant and equipment		221,688	903,379	191,398	764,635
Interest expense	18	16,870	68,745	8,340	33,318
Interest income		(90,495)	(368,767)	(703)	(2,808)
Operating profit before working capital changes		1,448,053	5,900,816	6,177,746	24,680,096
Changes in working capital					
Inventories		(2,914,711)	(11,877,447)	(1,553,174)	(6,204,930)
Trade and other receivables		(6,167,227)	(25,131,450)	7,143,237	28,537,232
Other payables		542,483	2,210,618	(12,482,880)	(49,869,106)
Cash used in operations		(7,091,402)	(28,897,463)	(715,071)	(2,856,708)
Interest paid		(16,870)	(68,745)	(8,340)	(33,318)
Net cash used in operating activities		(7,108,272)	(28,966,208)	(723,411)	(2,890,026)
Cash flows from investing activities					
Advances to ultimate holding company		(279,198)	(1,137,732)	(594)	(2,373)
Advances from/(to) related company		2,799,755	11,409,002	(14,022)	(56,018)
Purchase of property, plant and equipment		(126,461)	(515,329)	(8,774)	(35,052)
Interest received		90,495	368,767	703	2,808
Net cash from/(used in) investing activities		2,484,591	10,124,708	(22,687)	(90,635)

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)

CONDENSED STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED 31 DECEMBER 2014 (continued)

	Note	Unaudited Three-month period ended			
		31.12.2014 ⁽¹⁾		31.12.2013 ⁽²⁾	
		US\$	KHR'000	US\$	KHR'000
Cash flows from financing activities					
Repayments of bank borrowings, representing net cash used in financing activities		(4,000,000)	(16,300,000)	(164,277)	(656,287)
Net decrease in cash and cash equivalents		(8,623,681)	(35,141,500)	(910,375)	(3,636,948)
Cash and cash equivalents at beginning of period		14,410,624	58,723,293	1,339,206	5,350,128
Cash and cash equivalents at end of period	8	5,786,943	23,581,793	428,831	1,713,180

Notes:

- (1) *The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to this interim financial report.*
- (2) *The comparative figures for the corresponding period were neither audited nor reviewed as no interim financial report was prepared for the comparative financial period concerned. Thus, the comparative figures are for information purpose only.*

GRAND TWINS INTERNATIONAL (CAMBODIA) PLC
(Incorporated in Cambodia)

NOTES TO THE CONDENSED FINANCIAL INFORMATION
31 DECEMBER 2014

1. CORPORATE INFORMATION

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. 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 located at Phum Trapaingpoe, Sangkat Chom Chao, Khan Posenchey, Phnom Penh, Cambodia.

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

The condensed financial information are presented in United States Dollar ("US\$"), which is also the Company's functional currency.

The condensed financial information were authorised for issue by the Board of the Directors on 13 February 2014.

2. PRINCIPAL ACTIVITY

The principal activity of the Company is 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 financial report is unaudited and has been prepared in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*. The interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached herein.

The explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the year ended 31 December 2013.

The accounting policies and methods of computation adopted are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2013 except for the adoption of the following amendments and interpretations:

	Effective Date
Amendments to CIFRS 10, CIFRS 12 and CIAS 27 <i>Investment Entities</i>	1 January 2014
Amendments to CIAS 32 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to CIAS 36 <i>Recoverable Amount Disclosures for Non-financial Assets</i>	1 January 2014
Amendments to CIAS 39 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014
CIFRIC 21 <i>Levies</i>	1 January 2014

There is no material impact upon the adoption of these amendments and interpretations.

3. BASIS OF PREPARATION (continued)

The following are accounting standards, amendments and interpretations that have been issued but have not been early adopted by the Company:

	Effective Date
Amendments to IAS 19 <i>Defined Benefit Plans: Employee Contributions</i>	1 July 2014
Amendments to IFRSs <i>Annual Improvements 2010 - 2012 Cycle</i>	1 July 2014
Amendments to IFRSs <i>Annual Improvements 2011 - 2013 Cycle</i>	1 July 2014
IFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to IFRS10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate and Joint Venture</i>	1 January 2016
Amendments to IAS 16 and IAS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to IFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i>	1 January 2016
Amendments to IAS 27 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to IFRSs <i>Annual Improvements 2012 - 2014 Cycle</i>	1 January 2016
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2017
IFRS 9 <i>Financial Instruments</i> (issued by IASB in July 2014)	1 January 2018

The Company is in the process of assessing the impact of implementing these accounting standards, amendments and interpretations, since the effects would only be observable for the future financial period.

4. SEASONALITY OR CYCLICALITY OF OPERATION

The demand for the Company's products is sensitive to seasonal changes. Revenue is generally higher from July to December as a result of higher demand for autumn and winter clothes.

5. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land US\$	Building and structure US\$	Construction in progress US\$	Plant and machineries US\$	Motor vehicles US\$	Equipment and computers US\$	Total US\$
<i>Net carrying amount</i>							
Balance at 1.1.2014	3,802,400	1,322,835	-	991,644	6,976	119,712	6,243,567
Additions	-	-	3,022,727	522,636	39,700	85,201	3,670,264
Written-off	-	(153,649)	-	-	-	-	(153,649)
Depreciation	(38,800)	(224,830)	-	(316,437)	(1,744)	(64,268)	(646,079)
Balance at 31.12.2014	3,763,600	944,356	3,022,727	1,197,843	44,932	140,645	9,114,103
<i>(KHR'000 equivalent)</i>	<i>15,336,670</i>	<i>3,848,251</i>	<i>12,317,613</i>	<i>4,881,211</i>	<i>183,098</i>	<i>573,128</i>	<i>37,139,970</i>

5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold land US\$	Building and structure US\$	Plant and machineries US\$	Motor vehicles US\$	Equipment and computers US\$	Total US\$
<i>Net carrying amount</i>						
Balance at 1.1.2013	3,841,200	1,512,350	960,055	9,301	113,869	6,436,775
Additions	-	42,668	288,321	-	59,118	390,107
Depreciation	(38,800)	(232,185)	(256,733)	(2,325)	(53,272)	(583,315)
Balance at 31.12.2013	3,802,400	1,322,833	991,643	6,976	119,715	6,243,567
<i>(KHR'000 equivalent)</i>	<i>15,190,588</i>	<i>5,284,718</i>	<i>3,961,614</i>	<i>27,868</i>	<i>478,262</i>	<i>24,943,050</i>

6. INVENTORIES

	Unaudited 31.12.2014		Audited 31.12.2013	
	US\$	KHR'000	US\$	KHR'000
At cost				
Raw materials	2,745,552	11,188,124	3,041,488	12,150,744
Work-in-progress	3,377,327	13,762,608	1,805,426	7,212,677
Finished goods	2,276,254	9,275,735	2,504,448	10,005,270
	<u>8,399,133</u>	<u>34,226,467</u>	<u>7,351,362</u>	<u>29,368,691</u>

7. TRADE AND OTHER RECEIVABLES

	Unaudited 31.12.2014		Audited 31.12.2013	
	US\$	KHR'000	US\$	KHR'000
Trade receivable				
Amount owing from ultimate holding company: QMI Industrial Co., Ltd	<u>46,925,229</u>	<u>191,220,308</u>	<u>33,315,360</u>	<u>133,094,863</u>
Other receivables				
Amount owing from a related company: Success Index Group	3,874	15,787	38,128	152,321
Other receivables	-	-	2,378	9,501
Input Valued Added Taxes	<u>668,667</u>	<u>2,724,818</u>	<u>142,149</u>	<u>567,885</u>
	<u>672,541</u>	<u>2,740,605</u>	<u>182,655</u>	<u>729,707</u>
Loans and receivables	<u>47,597,770</u>	<u>193,960,913</u>	<u>33,498,015</u>	<u>133,824,570</u>
Prepayments	<u>80,134</u>	<u>326,546</u>	<u>220,397</u>	<u>880,486</u>
	<u>47,677,904</u>	<u>194,287,459</u>	<u>33,718,412</u>	<u>134,705,056</u>

8. CASH AND BANK BALANCES

	Unaudited 31.12.2014		Audited 31.12.2013	
	US\$	KHR'000	US\$	KHR'000
Cash on hand	63,536	258,909	50,833	231,238
Cash at bank	5,723,407	23,322,884	377,998	1,481,942
	<u>5,786,943</u>	<u>23,581,793</u>	<u>428,831</u>	<u>1,713,180</u>

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and cash at bank.

9. SHARE CAPITAL

	Unaudited 31.12.2014		Audited 31.12.2013	
	Number	US\$	Number	US\$
Ordinary shares of US\$0.25 each Authorised	200,000,000	50,000,000	200,000,000	50,000,000
<i>(KHR'000 equivalent)</i>		<u>203,750,000</u>		<u>199,750,000</u>
Issued and fully paid:				
At 1 January	32,000,000	8,000,000	32,000,000	8,000,000
Issued pursuant to:				
- new issue	8,000,000	2,000,000	-	-
At 31 December	<u>40,000,000</u>	<u>10,000,000</u>	<u>32,000,000</u>	<u>8,000,000</u>
<i>(KHR'000 equivalent)</i>		<u>40,750,000</u>		<u>31,960,000</u>

In conjunction with the listing and quotation of the Company's shares on the Cambodia Securities Exchange on 16 June 2014, the Company issued 1,123,810 and 6,876,190 new ordinary shares of US\$0.25 each to the Cambodian public and selected investors respectively, at an issue price of US\$2.41 per share.

As a consequence of these share issues, the issued and fully paid-up ordinary share capital of the Company was increased to US\$10,000,000 (or equivalent to KHR40,750,000,000).

Other than the above, there were no issuances, cancellations, repurchases, resales and repayments of equity securities during the current financial quarter.

10. 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 shares as mentioned in Note 9.

11. OTHER PAYABLES

	Unaudited 31.12.2014		Audited 31.12.2013	
	US\$	KHR'000	US\$	KHR'000
Amount owing to ultimate holding company:				
QMI Industrial Co., Ltd	38,648	157,490	21,432	85,621
Accruals	1,612,371	6,570,412	1,777,541	7,101,276
Withholding tax	412,780	1,682,080	277,920	1,110,291
Other payables	<u>1,369</u>	<u>5,578</u>	<u>1,369</u>	<u>5,469</u>
	<u>2,065,168</u>	<u>8,415,560</u>	<u>2,078,262</u>	<u>8,302,657</u>

12. BORROWINGS

	Unaudited 31.12.2014		Audited 31.12.2013	
	US\$	KHR'000	US\$	KHR'000
Term loan I	-	-	472,269	1,886,714
Term loan II	-	-	-	-

Term Loan I – US\$3,000,000

With reference to the Loan Agreement dated 1 July 2009, the Company was provided with a loan facility of US\$3,000,000 from First Commercial Bank, Phnom Penh Branch.

The period of the loan was five years, and the maturity date was according to the mention in each promissory note. The annual interest on the loan was the floating rate of six months LIBOR plus 4.41%. Interest was calculated on the basis of 360 days per year and compounded daily commencing on the date of the loan disbursement, 31 August 2009 and payable on a monthly basis.

Term loan was secured by the following:

- (a) Letters of guarantee by Mr. Shen Yung Ming and Mr. Yang Shaw Shin;
- (b) Charges on the long term leasehold land of the Company located at Phum Chum Pou Voin, Tropaing Por, Sangkat Chom Chao, Khan Dangkor, Phnom Penh, Cambodia; and
- (c) All present and future assets of the Company.

The Company had fully repaid the term loan in May 2014.

Term Loan II – US\$6,400,000

With reference to the Loan Agreement dated 2 May 2014, the Company was provided with a short term loan secured US\$6,400,000 (revolving) from First Commercial Bank, Phnom Penh Branch.

The period of the loan is one year, and the maturity date is according to the mention in each promissory note. The annual interest on the loan is the floating rate of six months LIBOR plus 4.2%. Interest is calculated on the basis of 360 days per year and payable on a monthly basis.

Term loan was secured by the following:

- (a) Letters of guarantee by Mr. Yang Shaw Shin;
- (b) First Mortgage on the land of title deed No. 12050501-0119, dated on 9 April 2013 located at Phum Chum Pou Voin, Tropaing Por, Sangkat Chom Chao, Khan Dangkor, Phnom Penh, Cambodia (Note 5); and
- (c) All present and future assets of the Company.

The Company has drawdown term loan II amounting to US\$3,640,000 and US\$360,000 in May 2014 and June 2014 respectively.

The Company had fully repaid the term loan in November 2014.

13. REVENUE

	Unaudited Three-month period ended			
	31.12.2014		31.12.2013	
	US\$	KHR'000	US\$	KHR'000
Sales of goods	12,899,410	52,565,096	17,825,229	71,211,790
Subcontract revenue	216,622	882,734	-	-
CMP revenue	157,678	642,538	761,854	3,043,607
	<u>13,273,710</u>	<u>54,090,368</u>	<u>18,587,083</u>	<u>74,255,397</u>

14. COST OF SALES

	Unaudited Three-month period ended			
	31.12.2014		31.12.2013	
	US\$	KHR'000	US\$	KHR'000
Direct materials	6,007,527	24,480,672	7,293,129	29,136,050
Direct labour	2,091,023	8,520,919	2,322,312	9,277,636
Overhead	1,795,600	7,317,070	1,465,089	5,853,031
	<u>9,894,150</u>	<u>40,318,661</u>	<u>11,080,530</u>	<u>44,266,717</u>

15. OTHER INCOME

	Unaudited Three-month period ended			
	31.12.2014		31.12.2013	
	US\$	KHR'000	US\$	KHR'000
Interest income	90,495	368,767	703	2,808
Others	203	827	462	1,846
	<u>90,698</u>	<u>369,594</u>	<u>1,165</u>	<u>4,654</u>

16. ADMINISTRATIVE EXPENSES

	Unaudited Three-month period ended			
	31.12.2014		31.12.2013	
	US\$	KHR'000	US\$	KHR'000
Depreciation	35,598	145,062	32,101	128,243
Donations	-	-	100	400
Entertainment expenses	5,320	21,679	21,810	87,131
Equipment rental	1,995	8,130	1,995	7,970
Personnel costs	217,292	885,465	205,052	819,183
Postage and stamp	9,641	39,287	10,209	40,785
Professional service fees	408,984	1,666,610	61,585	246,032
Property insurance	5,400	22,005	173	691
Repair and maintenance	5,529	22,531	2,556	10,211
Research and development costs	356,838	1,454,115	364,342	1,455,546
Stationeries	22,779	92,824	24,571	98,161
Traveling expenses	5,556	22,640	5,151	20,578
Utilities	5,184	21,125	900	3,597
Others	141,475	576,510	298,273	1,191,600
	<u>1,221,591</u>	<u>4,977,983</u>	<u>1,028,818</u>	<u>4,110,128</u>

17. DISTRIBUTION COSTS

	Unaudited Three-month period ended			
	31.12.2014		31.12.2013	
	US\$	KHR'000	US\$	KHR'000
Commission	-	-	50,000	199,750
Freight outwards	625,594	2,549,296	76,913	307,267
Custom fee and document fee	271,987	1,108,347	320,436	1,280,142
Others	7,500	30,562	-	-
	<u>905,081</u>	<u>3,688,205</u>	<u>447,349</u>	<u>1,787,159</u>

18. FINANCE COST

	Unaudited Three-month period ended			
	31.12.2014		31.12.2013	
	US\$	KHR'000	US\$	KHR'000
Interest expense on term loan	<u>16,870</u>	<u>68,745</u>	<u>8,340</u>	<u>33,318</u>

19. TAX EXPENSE

	Unaudited Three-month period ended 31.12.2014		31.12.2013	
	US\$	KHR'000	US\$	KHR'000
Income tax expense:				
Current period	302,210	1,231,506	395,491	1,579,987
Deferred tax expense:				
Origination and reversal of temporary differences	(39,645)	(161,553)	(9,469)	(37,829)
Total tax expense	<u>262,565</u>	<u>1,069,953</u>	<u>386,022</u>	<u>1,542,158</u>

Under the Cambodian Law on Taxation, the Company has an obligation to pay tax on profit at 20% (2013: 20%) of the taxable profit or a minimum tax at 1% (2013: 1%) of total revenue, whichever is higher.

20. EARNINGS PER SHARE

	Unaudited Three-month period ended 31.12.2014		31.12.2013	
	US\$	KHR'000	US\$	KHR'000
Profit attributable to ordinary equity holders	1,036,702	4,224,560	5,591,701	22,338,846
Weighted average number of ordinary shares in issue	<u>32,612,022</u>	<u>32,612,022</u>	<u>8,000,000</u>	<u>8,000,000</u>
Basic earnings per share	0.03	0.13	0.70	2.79
Diluted earnings per share	<u>0.03</u>	<u>0.13</u>	<u>0.70</u>	<u>2.79</u>

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

21. RELATED PARTY TRANSACTIONS

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

	Unaudited Three-month period ended			
	31.12.2014		31.12.2013	
	US\$	KHR'000	US\$	KHR'000
<u>Ultimate holding company</u>				
QMI Industrial Co., Ltd				
Sales	12,899,410	52,565,098	17,825,229	71,211,789
Purchases	6,313,477	25,727,420	6,994,747	27,944,012
Off-set with trade payables	6,313,477	25,727,420	19,381,483	77,429,023
Off-set with trade receivable	6,313,477	25,727,420	19,381,483	77,429,023
Payments on behalf by the Company	313,608	1,277,953	79,179	316,320
Off-set with other payables	34,410	140,221	78,585	313,947
<u>Common control</u>				
Success Index Group				
Service fees (Cut, Make & Pack)	150,491	613,251	761,855	3,043,611
Payments on behalf for the Company	588	2,398	6,028	24,082
Off-set with other payables	-	-	1,818	7,263
Advance by the Company	-	-	18,232	72,837
Advances to the Company	1,050,000	4,278,750	-	-
Repayment of advances by the Company	3,850,343	15,690,148	-	-

22. 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.

(a) 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 these 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.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) 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 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.

(c) 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 risk arises primarily from borrowings. The Company manages its interest rate exposure by closely monitoring the debt market and where necessary, maintaining a prudent mix of fixed and floating rate borrowings. The Company does not use derivative financial instruments to hedge any debt obligations.

23. CAPITAL COMMITMENTS

At the end of the current financial quarter, the Company has commitment on capital expenditure in respect of:

	Unaudited 31.12.2014	
	US\$	KHR'000
Properties, plant and equipment	3,325,000	13,549,375

