



GRAND TWINS INTERNATIONAL  
(CAMBODIA) PLC

You Wear

We Care



ANNUAL REPORT  
FOR 2020

**As at 31 December 2020**

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



**VISION, MISSION, BUSINESS STRENGTH  
& FUTURE PLANS**

# ***Grand Twins Internation (Cambodia)Plc.***

*“The First Private Listed Company in Cambodia Securities Exchange  
in the Kingdom of Cambodia”*

## ***Our Slogan***

*“You Wear, We Care”*

## ***Our Vision***

- Performance Upgrading
- Quality Improving
- Technology Placing

## ***Our Mission***

Exceed customers' expectations in quality, delivery, and cost through continuous improvement and customer interaction

# *Grand Twins Internation (Cambodia)Plc.*

*“A Leading Garment Manufacturerer*

*In the Kingdom of Cambodia”*

## ***Company's Strengths***

- We benefit from our strong relationship with with QMI Industrial Co., Ltd (“QMI Taiwan”).
- We have produced world renowned sport wears brand Adidas®
- We have received tax exemptions from both Canada and the European Union;
- We have a reliable team work
- We have an experience of management team
- We enjoy geographical diversification of market
- We have introduce high technology to our products

## ***Business Strategies and Future Plan***

- We invest in technology that allows us to continue to offer new and innovative products offerings
- We aim to respond to customers' needs
- We aim for efficiency in production and delivery
- We aim for excellent quality

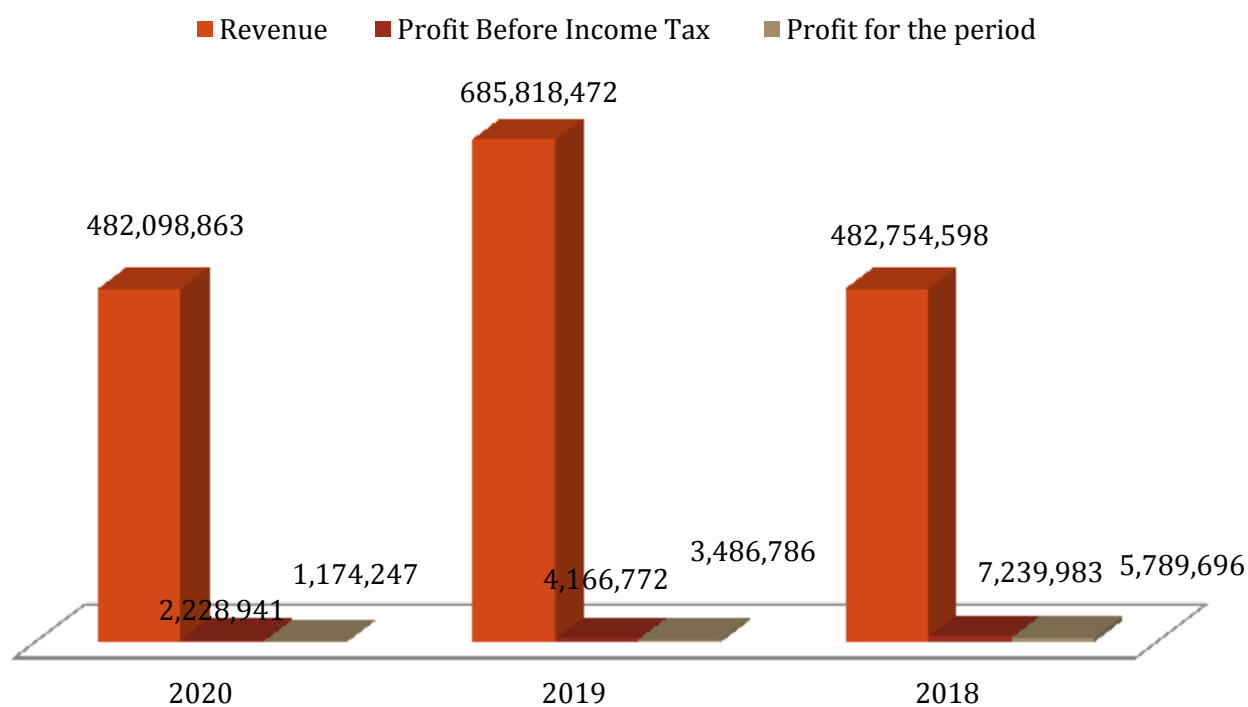
# **KEY DATA AND INDICATOR FOR 2020**

**CONDENSED INTERIM FINANCIAL STATEMENTS FOR 2020 & THE PREVIOUS YEARS**

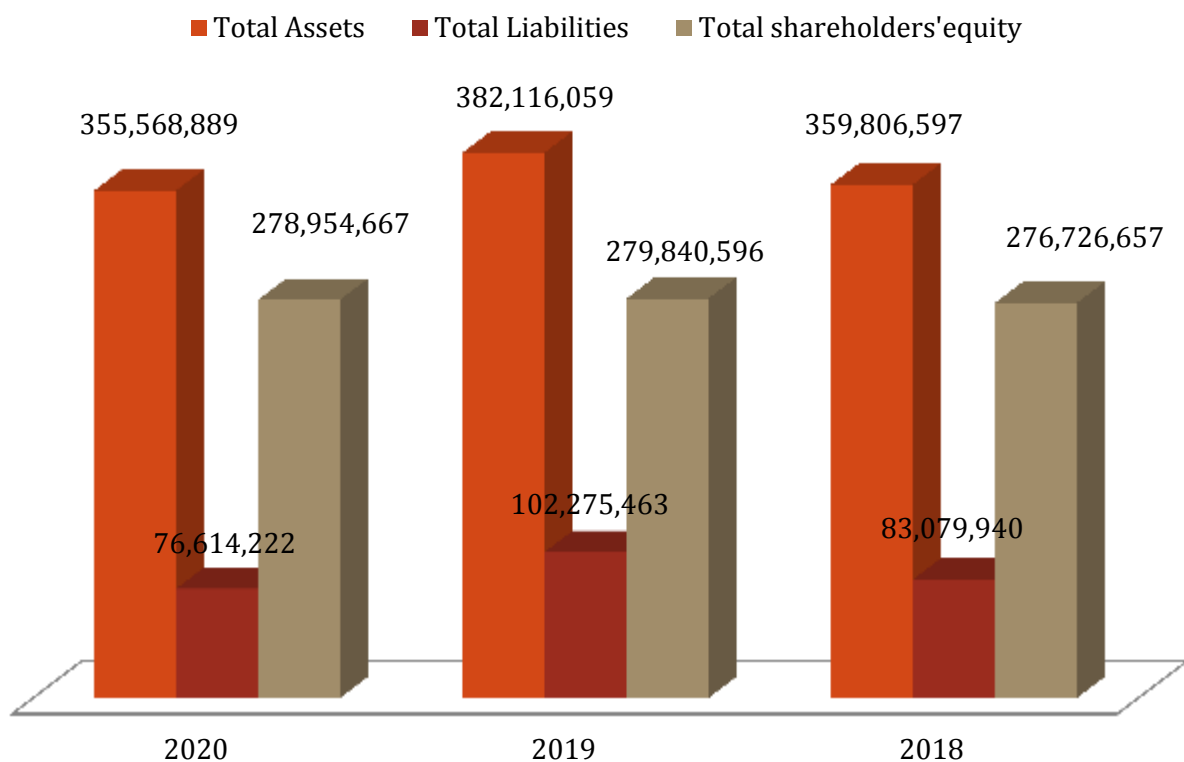
Description		FYE 2020	FYE 2019	FYE 2018
		KHR'000	KHR'000	KHR'000
<b>Financial Position</b>				
Total Assets		355,568,889	382,116,059	359,806,597
Total Liabilities		76,614,222	102,275,463	83,079,940
Total shareholders'equity		278,954,667	279,840,596	276,726,657
<b>Comprehensive Income</b>		<b>31 Dec 2020</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Revenue		482,098,863	685,818,472	482,754,598
Profit Before Income Tax		2,228,941	4,166,772	7,239,983
Profit for the period		1,174,247	3,486,786	5,789,696
Comprehensive Income for the period		1,174,247	5,545,139	5,789,696
<b>Fianancial Ratio</b>		<b>31 Dec 2020</b>	<b>FYE 2019</b>	<b>FYE 2018</b>
Solvency Ratio		78.45%	73.23%	76.91%
Deb to equity ration		27.46%	36.55%	30.02%
Liquidity	Current Ratio	4.27	3.41	4.05
Ratio	Quick Ratio	2.94	2.47	2.68
		<b>31 Dec 2020</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
Profitability Ratio	Return on Assets	0.33%	1.45%	1.61%
	Return on Equity	0.42%	1.98%	2.09%
	Gross Profit Margin	5.43%	6.69%	6.99%
	Profit Margin	0.24%	0.81%	1.20%
	Earnings Per Share	29.36	138.83	144.74
Interest Coverage Ratio		2.33	2.26	5.46
Dividend Yield ( if any)		-	50	60
Others Financial Ratio ( if any )		-	-	-

## COMPREHENSIVE INCOME FOR 2020 AND THE PREVIOUS YEARS

( In KHR'000 )



( In KHR'000 )



# GRAND TWINS INTERENATIONAL (CAMBODIA) PLC.



You wear,  
We care!



**COMPOSITION  
OF THE BOARD OF DIRECTORS  
OF GRAND TWINS**

## COMPOSITION OF BOARD OF DIRECTORS

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**Mr. Yang Shaw Shin**

Chairman of the board of directors



**Mr. Chen Tsung-Chi**

Executive Director and  
Chief Executive Officer



**Mr. Ly Kun Thai**

Independent Director



**Mr. Huang, Tung-Fu**

Non-Executive Director



**Ms. Wang Yi Ting**

Non-Executive Director

**STATEMENT  
OF THE CHAIRMAN OF THE BOARD OF  
DIRECTORS ON THE VALUATION OF  
GRAND TWINS' PERFORMANCE**

## THE STATEMENT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS



**Mr. Yang Shaw Shin**  
**Chairman**

We, the board of directors of Grand Twins International (Cambodia) Plc. (“GTI” or “Grand Twins” or the “Company”), are pleased to present the interim condensed financial report for the FYE 2020 as at 31<sup>st</sup> December 2020 of the Company. In the FYE 2020 as at 31<sup>st</sup> December 2020, Grand Twins has generated KHR 482,099 Millions (USD119.184 Millions), and interpreted to profit before tax of KHR 2,229 Millions (USD 551,036) and the profit after of KHR 1,174 Million (USD 290,296).

### **Efficiency on customer services**

Since the date of incorporation in 2007, Grand Twins has produced and expanded the products to meet customer’s required, that has been awareness as a leading garment manufacturer in Cambodia. We strongly believe on our ability on creating, developing and distributing to our customers in all over the world.

We continuously to maintain good relationship with our main customer namely Addida, in order to received more purchase order in 2020, meanwhile, we continuously collaborate with other customers to increase our other revenues such as from subcontract and CMP to stabilized and gain higher revenue than previous year.

### **Financial performance highlighted for 2020**

In the FYE 2020 as at 31<sup>st</sup> December 2020, Grand Twins has KHR 482,099 Millions (USD119.184 Millions), and interpreted to profit before tax of KHR 2,229 Millions (USD 551,036) and the profit after of KHR 1,174 Million (USD 290,296). For the FYE 2020, we have generated in total revenue of KHR 482,099 Millions (USD119.184 Millions) in which the sale of products have accounted of KHR 474,901 Millions (USD117.404 Millions) and the revenue from subcontract of KHR 7,123 Millions (USD 1,761 Millions) and the revenue from CPM of KHR 76 Millions (USD 18,698) respectively.

It has figured in slightly decline comparing to the previous years 2018 AND 2019 due to Covid 19 around the world including in Cambodia which has affected all sectors as well as in garment sector. Thus, the total revenue in 2020 was decline 29.70% comparing to the total revenue of 2019. For 2019, it has figured in slightly increase of 42.06% comparing to the total revenue of 2018.

### **Business result highlighted for 2020**

As at 28 December 2020, the board of directors approved and resolved the dividend distribution to the Company’s shareholders for the 6<sup>th</sup> time. 36.07% of the profit after tax of the FYE of 2019 will be distributed to the shareholders and each will receive KHR50 per share. The proposed dividend distribution will be subject to the shareholders’ approval in the 6<sup>th</sup> general meeting of the shareholder on 22 January 2021. The board of directors has announced publicly such dividend distribution including the agenda of the 6<sup>th</sup> general meeting of the shareholders

### **Expectation for further quarters of 2021**

For further quarters of 2021, we will commit to keep more effort to enhance our corporate governance and accomplish our vision and mission. Our target is to achieve higher profit more than previous years.

Furthermore, we would like to express our pleasure and feel thankful to board of directors, our management team, all staffs and workers for always support and good management in the past quarters and years. We are also thankful to all supporting customers especially to our major customers who always support and place order lead to today succeed.

Phnom Penh, Dated: 30 March 2021  
Signature and stamp

Chairman



**Mr. Yang Shaw Shin**

## **DIRECTOR'S REPORT ON THE VALUATION OF THE COMPANY'S PERFORMANCE**

The board of the directors of the Company is gladly present the interim condensed financial report of the FYE 2020 of the Company and the reviewed financial information as at 31<sup>st</sup> December 2020.

### **DIRECTORS**

The names of directors of the Company who served during the financial year and up to the date of this report are as follows:-

Name	Position
Mr. Yang Shaw Shin	Chairman
Oknha Ly Kunthai	Independent Director
Mr. Chen Tsung-Chi	Executive Director/ Chief Executive Officer
Ms. Wang Yi Ting	Non-Executive Director
Mr. Huang Tung-Fu	Non-Executive Director

### **DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS**

The directors are responsible for the financial statements of the Company to be properly drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and of its financial performance and cash flows for the financial year ended 31 December 2020. In the preparation of these financial statements, the directors are required to:

- (i) adopt appropriate accounting policies in compliance with Cambodian International Financial Reporting Standards ("CIFRSs") which are supported by reasonable and appropriate judgments and estimates and then apply them consistently;
- (ii) comply with the disclosure requirements CIFRSs, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) maintain adequate accounting records and an effective system of internal controls;
- (iv) prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue its operations in the foreseeable future; and
- (v) control and direct effectively the Company in all material decisions affecting its operations and performance and ascertain that such decisions and/or instructions have been properly reflected in the financial statements.

The directors confirm that the Company has complied with the above requirements in preparing the financial statements of the Company.

### **PREPARATION OF THE FINANCIAL STATEMENTS**

In the preparation of the financial statements, the directors have taken account of the following matters:-

- (i) all material transfers to or from reserves or provisions during the financial year are disclosed in the financial statements;
- (ii) adequate allowance for impairment losses on receivables and other current and non-current assets, if required, has been made;
- (iii) known bad debts had been written off, if any;

- (iv) existing methods of valuation of assets or liabilities is not misleading or inappropriate;
- (v) there are no known circumstances that would render any amount stated in the financial statements to be misleading;
- (vi) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the financial year in which this report is made;
- (vii) the results of the operations of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature;
- (viii) no contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

### APPROVAL OF THE FINANCIAL STATEMENTS

The directors hereby approve the accompanying financial statements which give a true and fair view of the financial position of the Company as at 31 December 2020, its financial performance and cash flows for the financial year then ended in accordance with CIFRSs.

*Chen Tsung-Chi*

**Mr. Chen Tsung-Chi**  
Chief Executive Officer



*Wang Yi Ting*

**Ms. Wang Yi Ting**  
Non-Executive Director

Phnom Penh, Cambodia

30 March 2021

**STATEMENT  
OF  
THE CHIEF EXECUTIVE OFFICER  
OF GRAND TWINS**



## STATEMENT OF THE CHIEF EXECUTIVE OFFICER

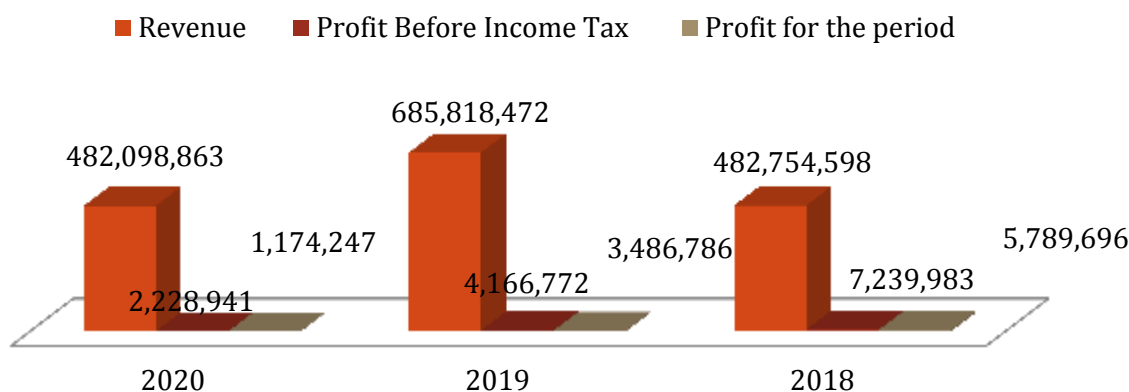


I, the undersigned, the authorized representative of Grand Twins, have a great honored and pleasure to present our interim condensed financial report for the FYE 2020 as at 31<sup>st</sup> December 2020. In the FYE 2020, the Company has generated total revenue of KHR 482,099 Millions (USD119.184 Millions), and interpreted to profit before tax of KHR 2,229 Millions (USD 551,036) and the profit after of KHR 1,174 Million (USD 290,296).

**Mr. Chen Tsung-Chi**  
Chief Executive Officer

### Financial performance for the FYE 2020 and the previous years

(In KHR'000)



### Highlighted financial performance for the FYE 2020

For the FYE 2020, we have generated in total revenue of KHR 482,099 Millions (USD119.184 Millions) in which the sale of products have accounted of KHR KHR474,901 Millions (USD117.404 Millions) and the revenue from subcontract of KHR 7,123 Millions (USD 1,761 Millions) and the revenue from CPM of KHR 76 Millions (USD 18,698) respectively.

### Expectation for further quarters of 2021

For further quarters of 2020, we will commit to keep more effort to enhance our corporate governance and accomplish our vision and mission. Our target is to achieve higher profit more than the previous years.

Furthermore, we would like to express our pleasure and feel thankful to the board of directors, our management team, all staffs and workers for always support and good management in the past quarters and years. We are also thankful to all supporting customers especially to our major customers Adidas, who always support and place order lead to today succeed.

Phnom Penh, Dated: 30 March 2021

Signature and stamp  
Chief Executive Officer



**Mr. Chen Tsung-Chi**

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**Annex: Annual corporate governance report determined by the Director General of the SECC**

# **1. GENERAL INFORMATION OF GRAND TWINS**

## A. COMPANY OVERVIEW



Company Name in Khmer : **ក្រុមហ៊ុន ហ្វ្រង់តូ ធួន អ៊ិនធើណេសិនណាល (ខេមបូឌា) ភីអិលស៊ី**

Company Name in Latin : GRAND TWINS INTERNAIONAL (CAMBODIA) Plc.

Standard Code : KH1000020003

Address : Phum Tra Pang Por, Sangkat Chom Chau, Khan Posenchey, Phnom Penh, Cambodia

Telephone Numeber : (855) 23 890 325

Fax : (855) 23 890 326

Website : [www.Grandtwins.com.kh](http://www.Grandtwins.com.kh)

Email : [vuthy.phuong@qmico.com](mailto:vuthy.phuong@qmico.com)

Business Registration No : 00012347

Date : 15 Nov 2007

Business License No. : N/A

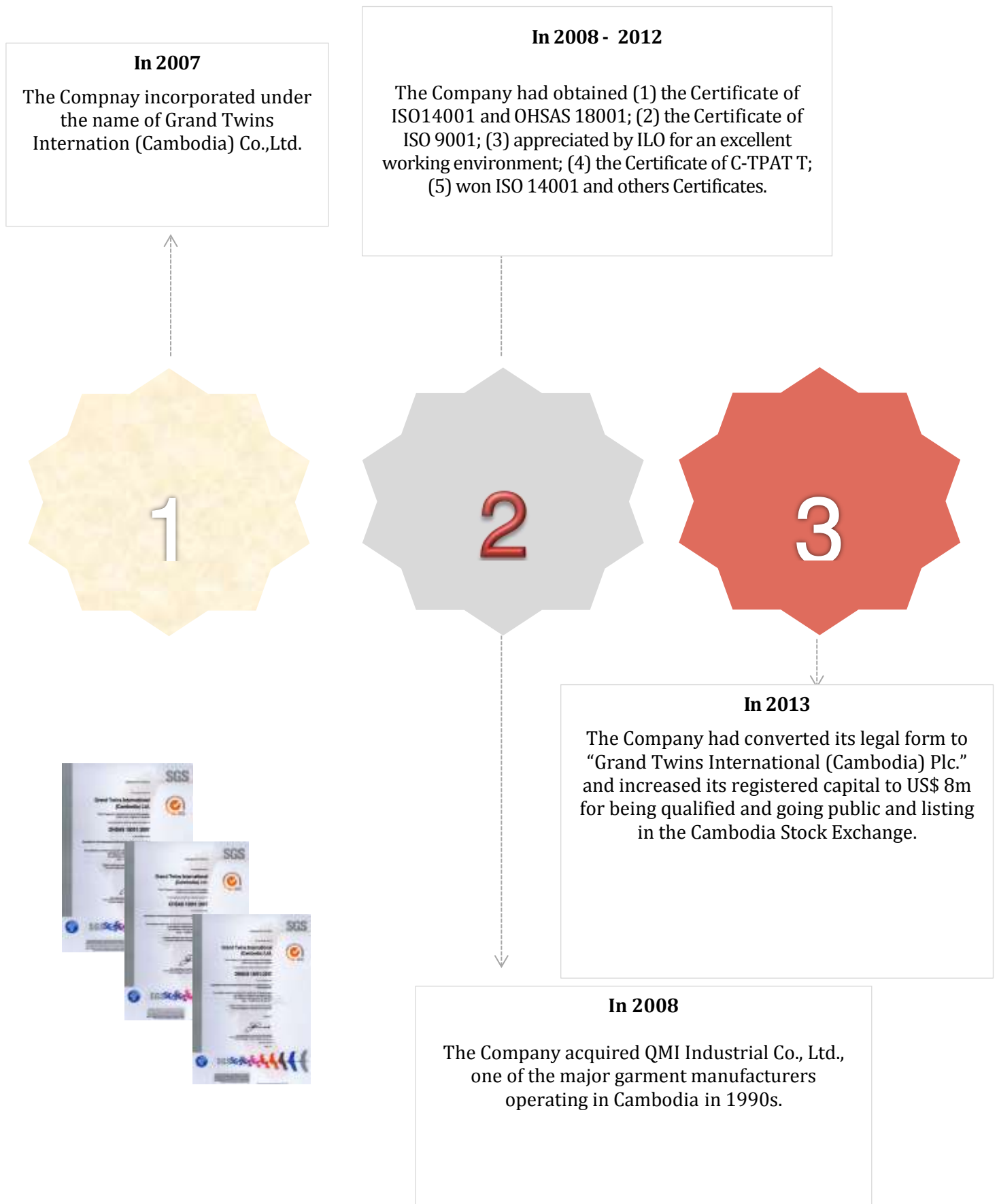
Date : N/A

Final approval and registration of the Disclosure Document: 005/SECC Date : 16 April 2014

Authorized Representative : Mr. **Chen Tsung-Chi**

Position : Chief Executive Officer

## COMPANY OVERVIEW





ផ្សារមូលបត្រកម្ពុជា



**In 2014**

The Company has going public and listed officially in the Cambodia Securities Exchange on 16 June 2014.

**In 2015 - 2019**

The board of directors had resolved and approved to distribute the 5<sup>th</sup> dividend in cash to the shareholders in June and the 5<sup>th</sup> General Meeting of the Shareholders was held on 21 November 2019.

4

5

6

**In 2020**



The board of directors had resolved and approved to distribute the 6<sup>th</sup> dividend in cash to the shareholders on 28 December 2020. The 6<sup>th</sup> General Meeting of the Shareholders will be held on 22 January 2021.

## B. BUSINESS OVERVIEW

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**GRAND TWINS** has incorporated under the laws of the Kingdom of Cambodia on 15 November 2007 with its registered name under “**GRAND TWINS INTERNATIONAL (CAMBODIA) PLC.**”.

On 19 February 2013, the Company has been converted to a public limited company and changed its legal name to “**Grand Twins International (Cambodia) Plc.**” On 16 July 2018 in addition, the Company acquired QMI Industrial Co., Ltd., one of the major garment manufacturers that operating in Cambodia since 1990s. Since GTI is manufacturing subcontractor and manufacturer of apparel for export, on 16 June 2014, the Company has officially going public and listed in Cambodia Securities Exchange (the “**CSX**”).

The Company is a manufacturing subcontractor and also a manufacturer of apparel for export, and as well as a sport Original Design Manufacturer (“**ODM**”). Today, our main products are world renowned sport apparel brand namely “Adidas”, “Reebok”, “Taylor Made”, “Salomon”, “New Balance (NB)”, “Kohl’s”, “Nautica”, “North@Face”, “Russell Athletic@” and others.

Adidas Group is one of the global leaders within the sporting goods industry, offering abroad range of products around its core brands: Adidas, Reebok, TaylorMade, Rockport and Reebok-CCM Hockey. Headquarter ed in Herzogenaurach, Germany.

We have produced numberious sportwear for Adidas Group. As for 2020, Adidas constandly preserve as our major customer.

We purchases raw materials from Taiwan, China, Thailand and Vietnam. In 2020, our export destinations include include countries in Europe 29%, United State 16%, Asia and other countries 55% of total revenue in 2020. In 2020, Asia still becomes our export major market.

We have a specialized management team who has many years of experience in the apparel industry, as well as advanced manufacturing technology to ensure production efficiency. Up year ended 31 December 2020, GTI has 4,257 employees. Our factory land is 32,341 square meters (there are 2 buildings with two floors in total of 21,620 square meters). A new build three-floor building, has completed the construction in 2015 that use for raw material warehouse. In end of 2017, we had invested almost USD 5 Millions on our Research and Development Center to be improve and gain more convenience for immediately respond our clients required.



## Major customers

We have produced numerous sportswear for Adidas Group. As for the 3<sup>rd</sup> quarter of 2020, Adidas constantly preserves as our major customer. According to Adidas's press release dated 06 August 2020, the total revenue from selling products of Adidas as at the 2<sup>nd</sup> quarter of 2020, was about EUR 3,579 billions, decreased approximately 34% compared to the total revenue of the selling products of EUR 5,509 billions in the 2<sup>nd</sup> quarter of 2020. Due to Global coronavirus pandemic causes closure of over 70% of Adidas' stores at high point 70% of Adidas' stores around the world. However, sales through the company's own e-commerce channel increased 93% during the 2<sup>nd</sup> quarter of 2020 respectively.

(Source: Adidas's press release dated 06 August 2020)

Grand Twins's customers as in the 3<sup>rd</sup> quarter of 2020 as the following:



- adidas
- SUNDEK
- New Balance
- North Face
- Jack Wolfskin
- Napapijri
- NAUTICA
- polo ralph lauren
- Ralph Lauren
- STREETWEAR
- Tory burch
- Yen Fashion

## Main products

### Sportswear

we are manufacturing a number of new products which include recycled materials (such as plastic from bottles) to improve our contribution to protecting the environment. We produce clothing from a variety of fabrics, including some which are moisture absorbing and stain and bacteria resistant



### Water-Resistant Clothing

We offer clothing in a broad range of styles, colors and fabrics. We offer a broad selection of clothing in an effort to maximize our ability to respond to changing fashion trend and customer preference as well as to limit our exposure to specific style.



### Outdoor Clothing

Outdoor Clothing is highly regarded by our customers for our professional designed and printing techniques, that would reduce sweat and protect from skin allergy.



### Functional Clothing

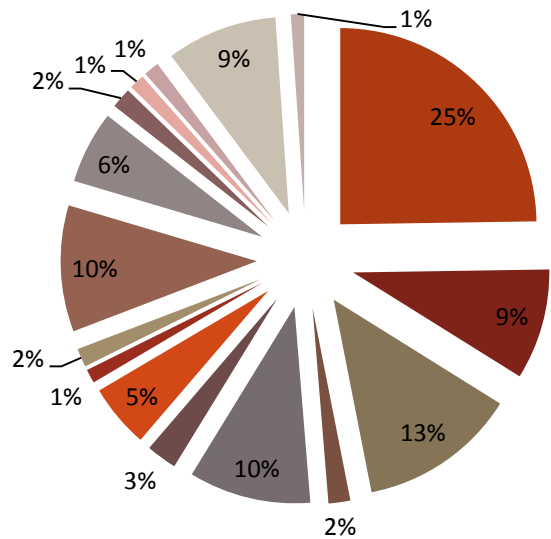
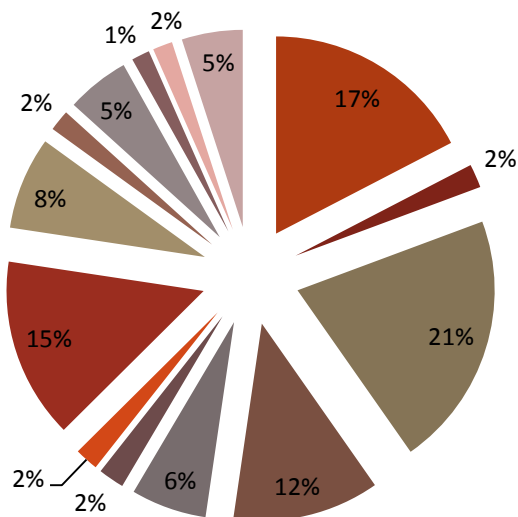
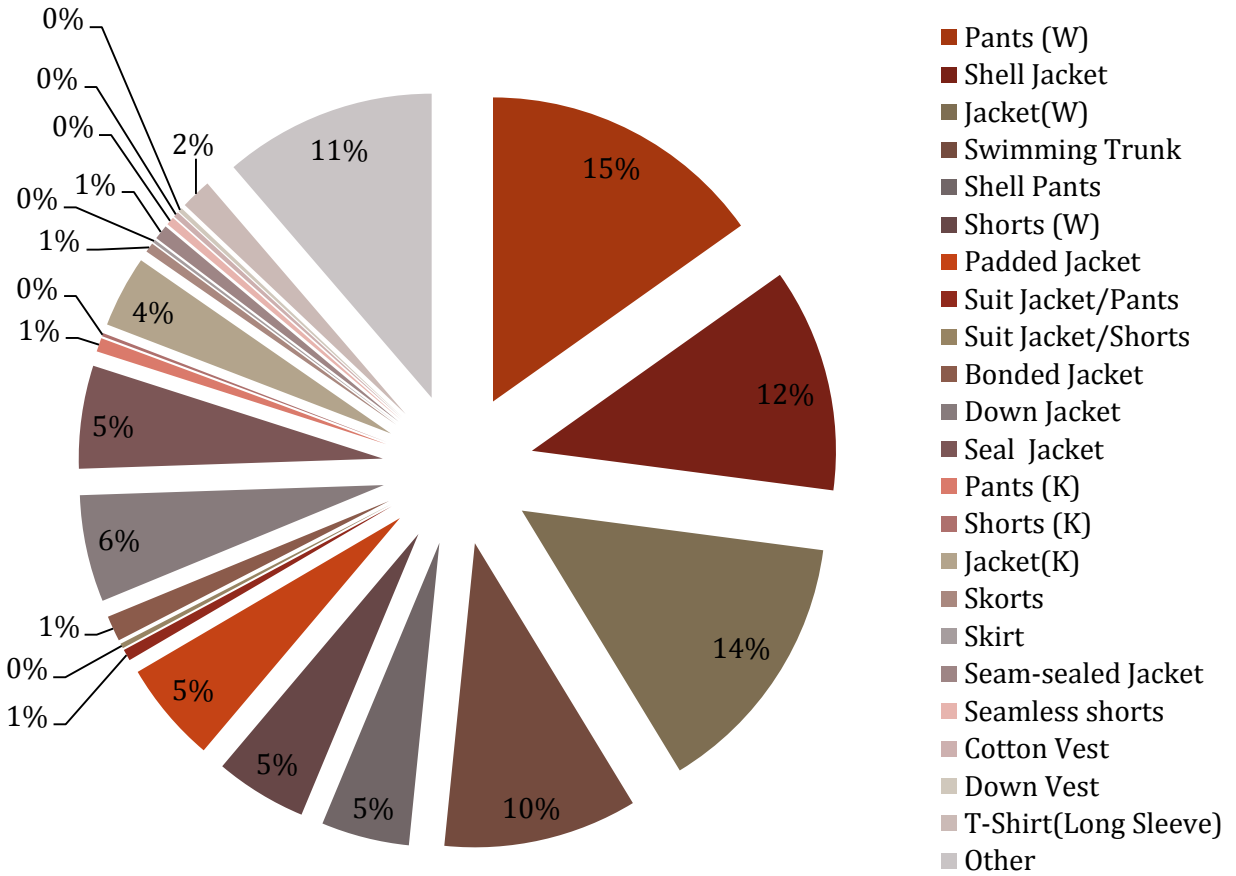
This category represents one of our major products to United States and Canada market.

## *Sale volumn of mix products*

### **Sale volume of mix products in 2020**

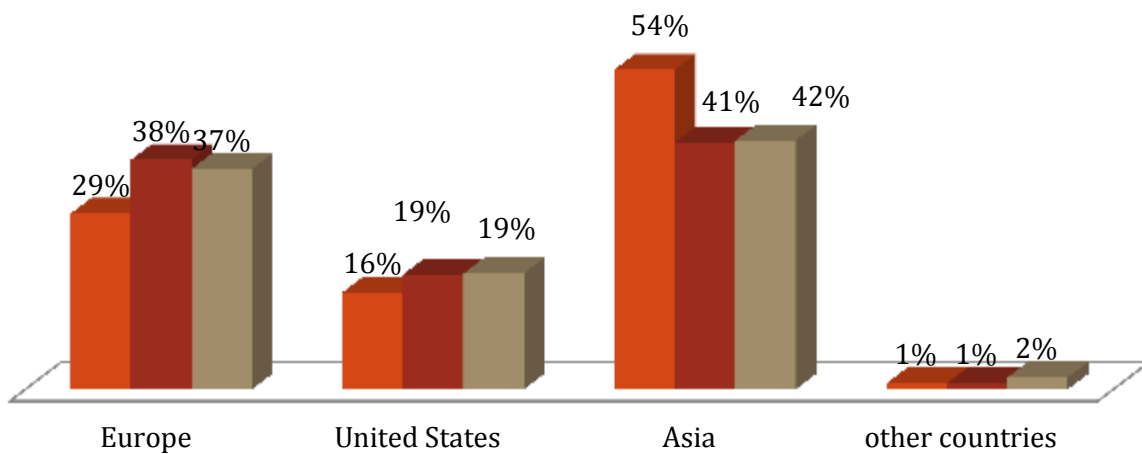
Description	In 2020 As at 31 <sup>st</sup> December 2020	
	Amount	%
Pants (W)	18,088,678	15.18%
Shell Jacket	14,187,587	11.90%
Jacket(W)	16,944,538	14.22%
Swimming Trunk	12,275,590	10.30%
Shell Pants	5,579,807	4.68%
Shorts (W)	5,810,365	4.88%
Padded Jacket	6,419,787	5.39%
Suit Jacket/Pants	730,948	0.61%
Suit Jacket/Shorts	308,962	0.26%
Bonded Jacket	1,625,520	1.36%
Down Jacket	6,774,772	5.68%
Seal Jacket	6,519,203	5.47%
Pants (K)	875,059	0.73%
Shorts (K)	196,781	0.17%
Jacket(K)	4,546,292	3.81%
Skorts	613,253	0.51%
Skirt	185,032	0.16%
Seam-sealed Jacket	933,316	0.78%
Seamless shorts	523,372	0.44%
Cotton Vest	347,498	0.29%
Down Vest	276,354	0.23%
T-Shirt(Long Sleeve)	1,951,097	1.64%
Other	13,470,085	11.30%
<b>Total Sale</b>	<b>119,183,897</b>	<b>100%</b>

**Sale volume of mix products of 2020, 2019 and 2018**



## Our Company's markets

Our Company manufactures clothes for export only. Currently, we export to our customers in Europe, United States, Asia and other countries. Asia country is our main exporting region while compare to other countries.





Asia



Cambodia

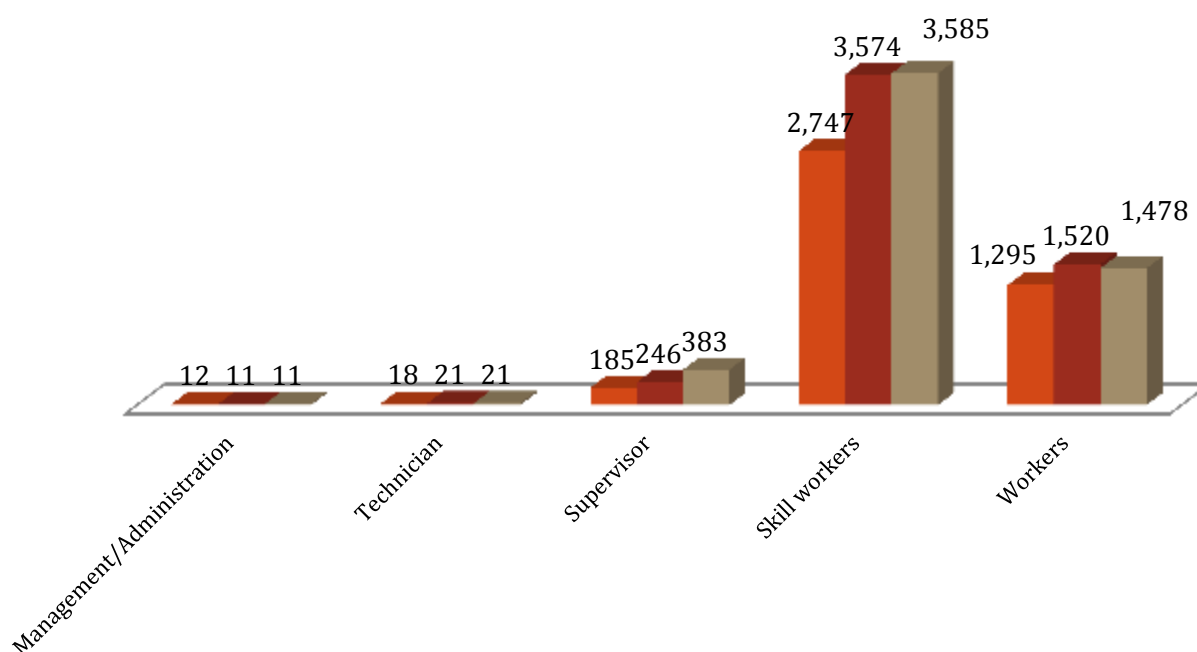
GTI  
GRAND TWIN

## Number of Full Time Employees

In 2020 as at 31<sup>st</sup> December 2020, we employ 4,257 full- time employees. Our sales employees are paid an hourly wage, plus commission. Bonuses are provided with each year of service following an annual review to encourage employee retention depending on criteria such as experience or involvement in the industry, designation and role in the applying company, and management systems. Our Human Resource Management System plays an important role for our productivity measures, for providing opportunities for employees to develop skills and expertise, for our focus on achieving outcomes and maintaining and improving productivity, and fair recruitment, effectiveness of grievance and disciplinary procedures, and for our focus on remuneration of employees, performance evaluation, employee development training, management of turnover rate, employment involvement and worker-management relationship. We enjoy loyalty from our employees and more than 35% of our employees have stayed with us for more than five years.

As the following the functional distribution of our full-time employees for 2020 as at 31<sup>st</sup> December 2020, for 2019 as at 31<sup>st</sup> December 2019 and 2018 as at 31<sup>st</sup> December 2018:

Description	2020	2019	2018
Management/ Administration	12	11	11
Technician	18	21	21
Supervisor	185	246	283
Skill workers	2,747	3,574	3,585
Workers	1,295	1,520	1,478
<b>Total</b>	<b>4,257</b>	<b>5,372</b>	<b>5,478</b>



## **C. GROUP STRUCTURE OF THE COMPANY**

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In 2020 as at 31<sup>st</sup> December 2020, there is no further materiel transactions with its subsidiary or holding company where relationship occurred in the transaction or any arrangement with the company other than as disclosed in the section 6 and section 7 of this annual report for 2020.



## **D. MILESTONES OF THE COMPANY IN 2020**

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In 2020 as at 31<sup>st</sup> December 2020, there is no further materiel events than events as discosed in this annual report for 2020.

## E. GARMENT MARKET IN THE KINGDOM OF CAMBODIA

### Cambodia Garment Status

#### Economic Growth of Asia EU, USA and other regions

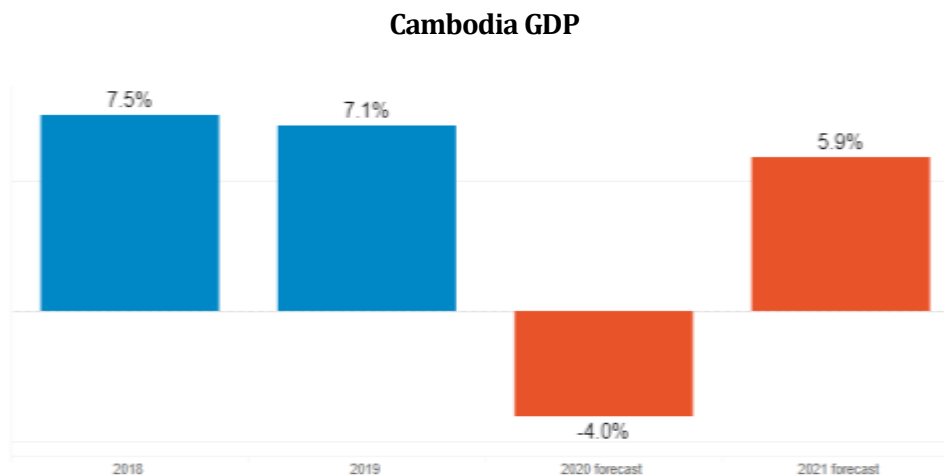
According to Eurostat, the statistical office of the European Union dated 31 July 2020, Western Europe GDP was 12.1% and 11.9 in EU in 2019, decreased 3.6% for Western Europe GDP and 3.2% for EU GDP. Western Europe GDP will be expected 15% and 14.4% for EU GDP. Whereby American GDP was at 2.5% in 2019 and expected to increasing to 2.9% in 2020. In the mean time, global GDP was 3.9% in 2019 that keep the same figure of GDP 4.9% in 2020. The GDP of both regions were declined compared to previous years. These two region are the main sales region of our company, especially with the declining in GDP will have significant impact to company revenue in 2020.

#### source:

- Eurostat, the statistical office of the European Union dated 31 July 2020
- World Economic Outlook Update in July 2020
- <https://ec.europa.eu/eurostat/documents/2995521/11156775/2-31072020-BP-EN.pdf/cbe7522c-ebfa-ef08-be60-b1c9d1bd385b>
- <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020>

### Cambodia's Economic Status

In recently year, cambodia's economic status raise to lower-middle income by the growth on economic. Cambodian economy has continued its high growth path as real GDP expanded by 7.5% in 2018 and 7.1% in 2019. Cambodia's economy remains in a "robust" condition but economic growth is projected to slow slightly in 2019 compared to last, mainly due to weaker than expected external demand, according to a World Bank. However, the bank's expert said the 4% growth rate in 2020 lower than in 2019 is still considered high and the economy remains strong.



(source: Asian Development Bank Asian Development Outlook 2020 issued on September 2020)

For future aspect, cambodia's economic growth is continue to expand at a robust pace as a result of collaborating with trade partner such as United State and Thailand, which currently have small export volume than Europe, as in tune with political uncertainty in the country. GDP was projected a growth of 4.0% in 2020 and forecast for 5.9% in 2021 and 6.7% in 2022 according to the Asian Development Bank report issued in

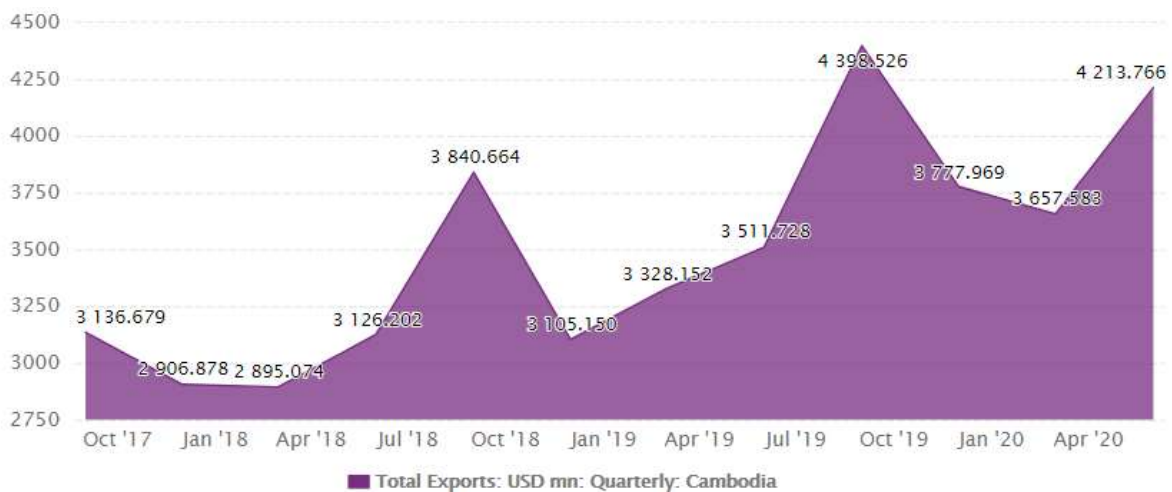
September 2020. In mean while, cambodia need to focus on diversification and intergrate into niche and higher supply in localized and globalized.

**Cambodia Export in 2020**

Import and Export of Cambodia to Internaltional market in total USD4.2 Billions in June 2020. The Import and Export Volumn has increased in USD3.7 Billions compare to import and export in the previous quarter. Cambodia's total exports data is updated quarterly, available from March 2010 to June 2020, with an averaged value of USD2.2 Billions The data reached an all-time high of USD 4.4 Billion in September 2019 and a record low of USD758.7 Billions in March 2010.

In the latest reports, Cambodia's total exports grew 21.1 % YoY in June 2020. Total imports recorded USD4.5 Billions in June 2020, which registered a decrease of 19.8 % year on year. Cambodia's Trade Balance recorded a deficit of USD373.5 Billions in July 2020. Cambodia continue strong export growth for garment exports in 2021.

**Graphic of Cambodia Export**



The coronavirus disease (COVID-19) pandemic is an unprecedented global challenge, but fortunately Cambodia has been spared a health crisis. We expect growth to rebound to 5.9% in 2021, boosted by supportive government policies, social assistance for the poor, and financing support for small and medium-sized enterprises,. These measures, along with much-needed structural reforms, will reduce the direct and indirect impacts of COVID-19 on families and businesses, and help Cambodia’s economy emerge stronger from the pandemic. A sharp drop in orders from Europe and North America led to shutdowns in one-third of Cambodia’s garment, footwear, and travel goods factories during the first half of 2020. However, increased production of bicycles and electronics pushed up Cambodia’s non-garment manufacturing exports by 30.3% year-on-year in the first half of 2020. Total industrial output is projected to rise by 5.1% in 2020 if exports of garments, travel goods, and footwear continue to recover.

**Cambodia Competition with Neighbor Countries in Garment Sector**

According to the GMAC report, Cambodia is struggling to compete with its neighbors due to low productivity, rising minimum wages and strikes by trade unions. Cambodia's garment sector is the second least productive in the region, accounting for only 60% by compare to China's garment sector. The productivity of Vietnam and Indonesia have reached to 80%, while Bangladesh is only 50%, which is lower productivity than the Cambodia. The lower in productivity and higher worker wages will be a real challenge for the Cambodia industrial while most of overseas customers judge primarily on productivity and competitiveness when they choose partners to supply their products. Low in productivity is due to the large number of workers union in Cambodia.

## F. COMPETITIVE STRENGTHS

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Our customers operate in a competitive market with an increasing number of local and international brands. However, although there are many different brands in the fashion and apparel market, not all brands are in direct competition due to different market segmentation. We believe that our customers and their competitors belong to the middle to high end market segment.

There are numerous contract manufacturers like us in Cambodia who are able to produce for Original Equipment Manufacturer (“OEM”) and Original Design Manufacturer (“ODM”) customers, including several who currently work with our main customers. They are able to compete with us on the main factors considered by OEM and ODM customers when selecting their contract manufacturers, which include quality, delivery schedule, corporate social responsibility and price. However, we believe that our competitive strengths distinguish us from our competitors.

Our mission is to exceed our customers' expectations in quality, delivery, and cost through continuous improvement and customer interaction.

### *Our competitive strengths*

#### **1. Beneficial relationship with QMI Industrial Co., Ltd in Taiwan**

QMI Industrial Co., Ltd is one of the major garment manufacturers in Taiwan. It has many affiliates throughout South East Asia and China. As a supplier for world renowned apparel companies, we are required to comply with lots of rules and guidelines. Among those, payment processing and raw material purchasing are critical factors. Adidas has instructed us to purchase raw material from specific suppliers through various parts of the world. As a result, in order to strengthen our bargaining power with the suppliers, we have formed an alliance with QMI Industrial Co., Ltd to purchase raw material. This alliance allows us to purchase raw material at a relatively low cost due to the high volume that both of us purchase for production. Furthermore, Adidas requires the payment to be processed through one of the two banks in Hong Kong: Standard Chartered Bank and HSBC Bank. Since there is neither branch of this bank in Cambodia, QMI Industrial Co., Ltd has facilitated the payment for us. In return, QMI Industrial Co., Ltd charges us 6% of total order for this relationship.

#### **2. We produce sport wears for world-renowned brands such as Adidas**

Our top customer is the Adidas Group. The Adidas Group purchased Reebok in August 2005. Over the years we have developed expertise, purchased machinery and developed production lines that meet the standards of the Adidas Group.

#### **3. We are eligible to receive tax exemptions from both Canada and the European Union**

All export goods produced in Cambodia are exempted from import tax in Canada and the European Union due to Cambodia's status as a "Least Developed Country" ("LDC"). The European Union provides LDCs more favorable treatment than other developing countries. In 2001, the European Union adopted Regulation (EC) 416/2001, or the EBA (Everything But Arms) Regulation, which allows for duty-free imports of all products, except arms and ammunitions, from LDCs, without any quantitative restrictions (except on bananas, sugar and rice for a limited period). The EBA Regulation was later incorporated into the Generalised System of Preference (GSP) Council Regulation (EC) No 2501/2001, which makes it more likely that these special arrangements for LDCs will be maintained for an extended period of time without being subject to the periodic renewal of the European Union's scheme of generalised preferences. Canada provides LDCs with similar favourable treatment via its General Preferential Tariff and Least Developed Country Tariff Rules of Origin Regulations.

#### **4. We are trusted and reliable manufacturer**

We produce clothing for a number of world-renowned sports brands and operate at international standards. We enjoy loyalty from our employees and more than 35% of our employees have stayed with us for more than five years.

## **5. We have an experienced management team**

We have an experienced management team with extensive experience in outdoor clothing manufacturing, including our CEO, **Chen Tsung-Chi**, and Mr. **Hsienh Chung Nan** the head of our operation department. Each of these people has more than ten years of experience in the garment industry. Our management is goal-oriented and focused on the execution of our strategies. We believe our management team is capable and sensitive to market change.

## **6. We enjoy geographical diversification of market for our products**

Our customers' markets are located worldwide, including the United States, Europe and Asia, which provides us with geographical diversification.

## **7. We have introduced "down" technology**

Our Company has introduced "down" technology to make winter jackets in our factory. This technology helps us the quality of jackets we produced by allowing us to compress the edge of these jackets, instead of using thread. The outside of a down jacket is typically made of durable, water-repellent nylon. This type of lining insures that no water can penetrate and also keeps the wearer dry. Due to the quality of our products using "down" technology, we are highly competitive in the jacket manufacturing industry.

### ***The Company Business Strategies***

#### **1. We invest in technology that allows us to continue to offer new and innovative products offerings**

We continue to incorporate advanced technology into our operations. Meanwhile, we continue to seek opportunities to collaborate with international brands and develop our market and our technical skills to make ourselves more competitive globally.

#### **2. We ensure that we respond to customers' needs**

Our management and merchandising teams continue to improve our products and services offerings, and create new ones to better meet the needs of customers.

#### **3. We ensure efficiency in production and delivery**

We refine the production of our apparel by combining new grades and types of cotton and yams; using different techniques in dyeing, knitting, stitching, and embroidery; employing different types of cuts, layering and styling; and using new types and methods of packaging. At each production stage, new and improved methods are used to increase efficiency. Strategically located in Cambodia, we are able to be closer to our suppliers, which mean materials are delivered to us quickly, thereby reducing lead-time in inventory management. This benefit and tactical arrangement also enables timely delivery of final products to our customers. We employ a real time tracking system to track our orders and delivery.

To improve our efficiency, we have equipped our factory with modern machinery and software, including, for example, pattern drawing software that draws patterns of clothing for cutting accurately and quickly. Such software saves significant time and labor in our factory. In addition to this software, we employ down product technology that enables us to produce high quality winter clothing. We have also installed software, required by Adidas, to directly and automatically record the bar code of each finished product.

#### **4. We ensure that our quality is excellent**

Our success relies heavily on our ability to deliver high quality products consistently to our customers. To achieve our commitment to quality, we ensure that every staff member is aware of his/her responsibility to ensure that our goods are of the highest possible quality. We provide handbooks to them

to ensure that they are well trained and aware of our procedures. Our quality assurance team ("QC") implements and monitors a "no fault", or 100% success policy on all goods at each step of the production process. The same stringent control on quality is applied to the purchase of raw materials and accessories. Raw materials and accessories are purchased only from suppliers who have been screened and approved by Adidas. All materials and accessories are further inspected before they are used for production to ensure that they are of the required specifications and free from defects. All finished products are subject to final inspection before delivery.

As apparel manufacturing remains a labor-intensive process, it is important that staff appreciate the importance of their role and contribution and understand the concept of total quality management. Employees in all departments are trained to proactively look out for potential human errors in each stage of production. They are exposed to every step of the production process so that they understand how their work would affect the rest of the process and vice versa.

## **G. FUTURE PLAN OF THE COMPANY**

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In 2020 as at 31<sup>st</sup> December 2020, there is no further plan as disclosed in this annual report of 2020.

## H. RISKS FACTORS

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In 2020 as at 31<sup>st</sup> December 2020, there is no further material risks other than risks as disclosed in the section 6 “Audited financial statement” and the section 8 “Management’s discussion and analysis” of this annual report of 2020.



## **2. BUSINESS PERFORMANCE OF GRAND TWINS**

## A. BUSINESS PERFORMANCE OF THE COMPANY

Items included in our financial statements of company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The national currency of Cambodia is Khmer Riel ("KHR"). However, as the company transacts its business and maintains its accounting records primarily in United States Dollars ("USD"), management has determined United States Dollar to be the Company's functional and presentation currency as it reflects the economic substance of the underlying events and circumstance of the Company.

Translations between KHR and USD are presented in our financial statements for the 4<sup>th</sup> quarter of 2020 as at 31<sup>st</sup> December 2020, the 4<sup>th</sup> quarter of 2019 as at 31<sup>st</sup> December 2019 and the 4<sup>th</sup> quarter of 2018 as at 31<sup>st</sup> December 2018 using the official rate of exchange regulated by National Bank of Cambodia present as below:

Year	Riel /US Dollar As at 31 <sup>st</sup> December	Exchange Rate In average
2020	4,005	4,043
2019	4,040	4,043
2018	4,063	4,043

**Source: National Bank of Cambodia**

Transactions in currencies other than the functional currency of the company ("foreign currencies") are converted in United States Dollars at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of any reporting period are translated into United States Dollars at the rate of exchange ruling at that date, unless hedged by forward foreign exchanges contracts, in which case the rates specified in such a forward contracts are used. All exchange differences arising from the settlement of foreign currency and from the translation foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purpose.

The Company's revenue consists of revenue from the sale of products, subcontract revenue and CMP (Cut, Make and Pack) revenue. As at the FYE 2020, 31<sup>st</sup> December 2020 our revenue from sale of products accounted for 98.51% of total revenue. Subcontract and CMP revenue contribute only immaterial amounts to our total revenue. Consequently, any material changes in sales and revenue are due to changes in revenue from the sale of goods. Revenue from sale of products depends on the volume of clothing items that we produce and sell to our customer.

Our revenue by segment for 2020, 2019 and 2018 set forth as below:

**Total revenue of 2020 as at 31<sup>st</sup> December 2020**

**KHR482,098,863,000 approximately USD119,183,897**

**Revenue from sale of products**

**KHR474,900,681,000 approximately USD 117,404,371**

presenting to **98.51%** of the total revenue

**Revenue from subcontract**

**KHR7,122,549,000 approximately USD1,760,828**

presenting to **1.47%** of the total revenue

**Revenue from CMP**

**KHR 75,633,000 approximately USD 18,698** presenting to **0.02%** of the total revenue

**Total revenue of 2019 as at 31<sup>st</sup> December 2019**

KHR 685,818,472,000 approximately USD 169,254,312

**Revenue from sale of products**

KHR 685,818,472,000 approximately USD 169,254,312, presenting to **100%** of the total revenue

**Total revenue of 2018 as at 31<sup>st</sup> December 2018**

KHR 482,754,598,000 approximately USD 119,346,007

**Revenue from sale of products**

KHR 479,383,936,000 approximately USD 118,512,716 , presenting to **99.30%** of the total revenue

**Revenue from CMP**

KHR 3,370,662,000 approximately USD 833,291, presenting to **0.70%** of the total revenue

## **MATERIAL CHANGES IN BUSINESS OPERATION OF GRAND TWINS**

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### **i. Material changes in income, cost of sales, other operating expenses and net income**

In 2017, company has utilised additional budget to extend new productivity line for producing “Down” products. We expect these production lines will increase our revenues.

We expect labor costs to increase due in part to labor conditions in Cambodia. We also expect that our raw material costs (especially given the raw materials we require our down products) may increase. As a result, our costs of sales are expected to increase. We do not expect any significant increase operating expenses. Overall, we expect increases in our net income.

#### ***Seasonal aspects of the Company’s business***

Our revenue seasonally fluctuates as our products are sensitive to change in temperature and our customer’s market condition. Our revenues are generally highest from July to December which we consider to be our peak sale season. During this period, our higher profit margin products, eg. Autumn and winter clothes are sold. From January to June, we sell products for the spring and summer seasons.

#### ***Trend, events or uncertainties***

We expect fluctuations in the selling prices of our products as there is general upward trend in our selling prices based on the current trend to-date. Our cost of sales, which comprises purchase cost of raw materials and packaging materials, labor costs and overhead, significantly increased over the last three financial years from 2017 to 2019. Based on the current trend to-date and barring any unforeseen circumstances, we do expect a deviation from this trend in 2020. We manage our purchasing inventory on a just-in-time basis, that we expect our inventory levels to remain relatively stable.

We believe that there is no other known recent trends in production, sales, inventory, the costs and selling prices of our products and services or other known trends, uncertainties, demands, commitments, or events that are reasonably likely to have a material and adverse effect on our revenue, material commitments for capital expenditures, profitability, liquidity or capital resources, or unusual or infrequent events or transactions or any significant economic changes that will materially affect the amount of reported income from operations or that would cause financial information for second quarter 2020, that to be not necessarily indicative of our future operating results or financial condition.

### **ii. Change in the assets of the Company to settle any liabilities**

There is no change in the assets of the Company to settle any liabilities.

#### ***Material loan between holding company and its subsidiaries***

In the 4<sup>th</sup> quarter of 2020 as at 31<sup>st</sup> December 2020, we don’t have any loan from subsidiaries.

#### ***Future contractual and contingent liabilities***

In the 4<sup>th</sup> quarter of 2020 as at 31<sup>st</sup> December 2020, we are not aware of any contingent liabilities or future contractual obligations other than the report for the 4<sup>th</sup> quarter of 2020.

### **iii. VAT, income tax, customs duty or other un-paid tax liability including any contingent liabilities**

In the 4<sup>th</sup> quarter of 2020 as at 31<sup>st</sup> December 2020, we don’t have any unpaid VAT to the General Department of Taxation (“GDT”) of the Ministry of Economy and Finance (“MEF”).

## ***Tax on Income***

From 2007 to 2011, We have been granted tax incentive by the Council for Development of Cambodia (“CDC”) on 100% import duty tax exemption on import machinery and equipment, and raw material, provided that at least 80% of the total production is exported.

We’re also allowed carry forward loss of 05 (five) years to offset against future plan. Another exemption on income tax as tax holiday which include 03 (three) years of trigger period, plus 01 (one) year of priority period through approval from the MEF on 22 November 2007.

In 2012, the income tax exemption was ended, the Company has duty to comply 20% on tax on income. In addition, the Company has granted 50% discount for 03 (three) years on tax on income, incentive from going public offering and listing in the CSX on 16 June 2014.

In deed, the Company complied 03 (three) years tax incentive for 50% discount on income for the fiscal year of 2014, 2015 and 2016. Started from fiscal year of 2017, the Company eased from granting the incentive that shall apply normal tax rate as the previous years.

## ***Custom Duty Tax***

In the 4<sup>th</sup> quarter of 2020 as at 31<sup>st</sup> December 2020, the Company has no any unpaid custom duty tax.

## ***Tax Arrear including any contingent liabilities***

The Company is obliged to pay taxes in accordance with Cambodian tax law. We have been paying our taxes in a timely manner and do not have any unpaid tax liability. In the 4<sup>th</sup> quarter of 2020 as at 31<sup>st</sup> December 2020, we remain tax arrear in total KHR 2,314 Millions (USD572,107).

## **iv Provisions related to personnel schemes including retirement benefits that would not be involved**

To comply with our customers' standard requirements as well as the vision of establishing ourselves to be a model garment factory, we strictly follow all applicable laws of Cambodia, especially the Labor Law.

According to the Company's internal rules, all workers and employees are entitled to over time (OT) compensation. Employees who work over time on weekdays receive 1.5 times of their basic wages. Employees who work over time on weekends and holidays receive twice of their basic wages.

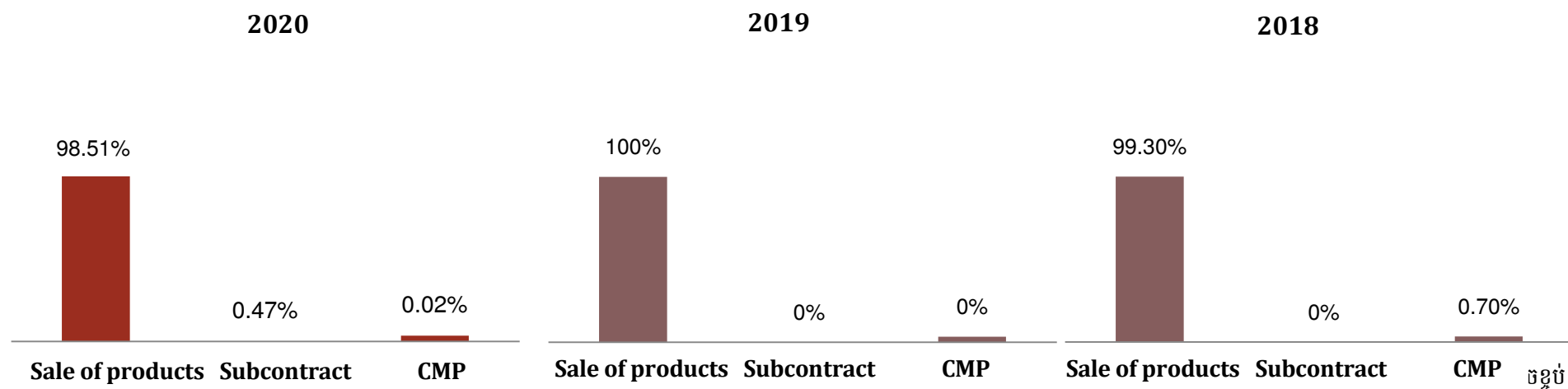
Our employees also receive non-leave bonuses of USD 20,000 (USD 5) in week and transportation allowance KHR 28,000 (USD 7), and seniority from KHR 8,000 (USD 2) to KHR 44,000 (USD 11) based on the length of their employment. In addition to these benefits, our employees also receive KHR 2,000 (USD 0.5) for working overtime from 4:00pm to 6:00pm. In accordance with Cambodian labor law from 2019 our employees also received work seniority.

We also provide other benefits to our employees in accordance with Cambodian labor law such as annual leave of 18 (eighteen) days a year, maternity leave, special leave (granted up to maximum of 07 (seven) days during any event directly affecting employees' immediate family) and sick leave.

We commit to comply to Cambodia applicable law such as average wage for garment workers. The increase in average salary for garment industrial had caused to decrease in total revenue. In the beginning of 2020, worker average salary in garment industry is USD190 and the increasing in salary expense will directly impact company performance in 2020. Forseen, salary will increase in consequently in further years.

## B. REVENUE SOURCES OF GRAND TWINS

Revenue Source	2020 As at 31 <sup>st</sup> December 2020		2019 As at 31 <sup>st</sup> December 2019		2018 As at 31 <sup>st</sup> December 2018	
	Amount	%	Amount	%	Amount	%
Sale of products	474,900,681	98.51%	685,818,472	100%	479,383,936	99.30%
Subcontract	7,122,549	0.47%	-	-	-	-
CMP	75,633	0.02%	-	-	3,370,662	0.70%
<b>Total Revenue</b>	<b>482,098,863</b>	<b>100%</b>	<b>685,818,472</b>	<b>100%</b>	<b>482,754,598</b>	<b>100%</b>



# **3. INFORMATION ON CORPORATE GOVERNANCE OF GRAND TWINS**

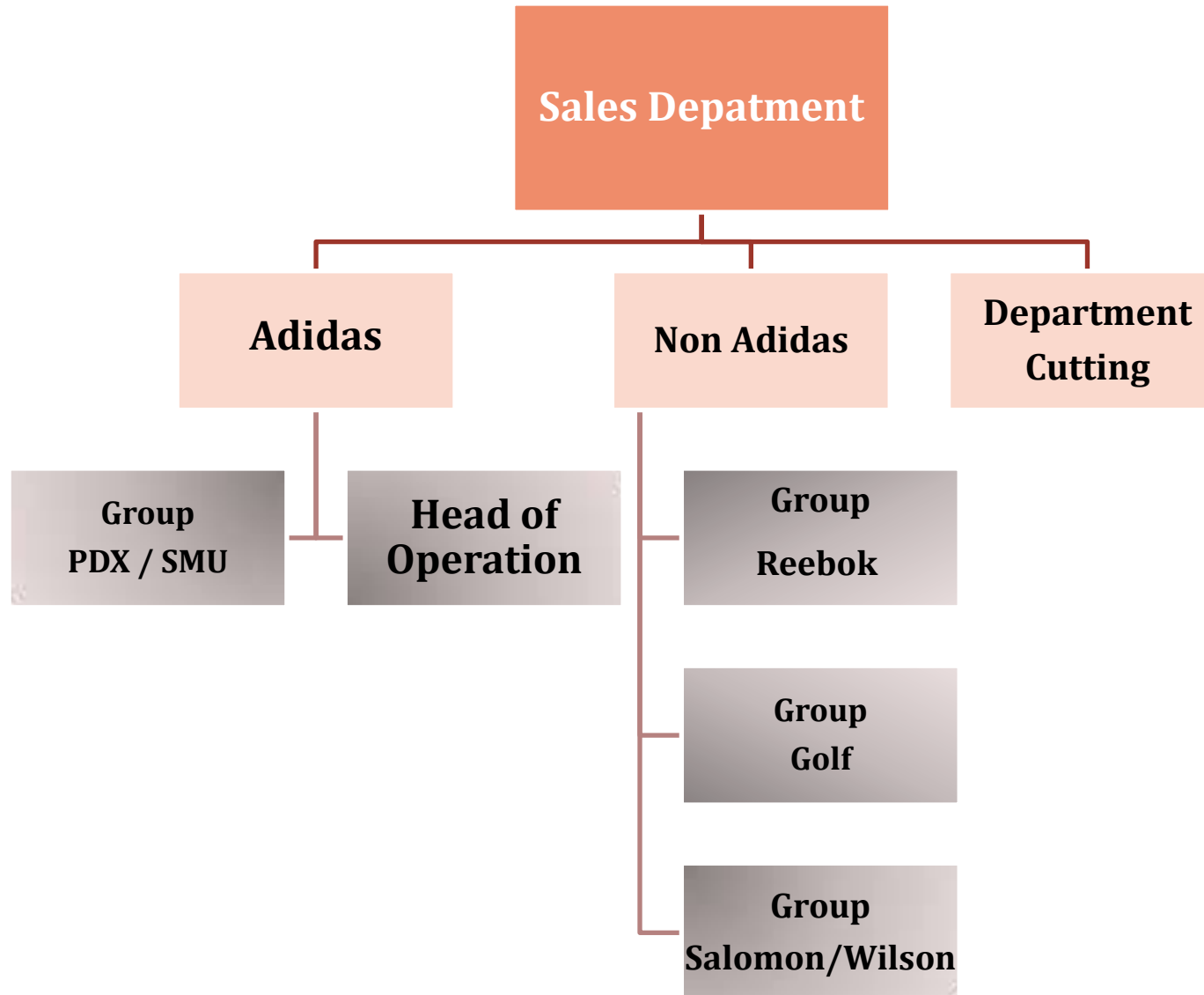
## ORGANIZATION STRUCTURE OF GRAND TWINS





## SALES DEPARTMENT OF GRAND TWINS IN SHANGAI

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## BOARD OF DIRECTORS OF GRAND TWINS

### BOARD OF DIRECTORS

The board of directors of Grand Twins comprised 5 members in which there are a chairman of the board of directors, an executive directors, two non-executive directors and an independent director. Through the voting of shareholders in the 5<sup>th</sup> general meeting of the shareholders dated 21 November 2019, the composition of the board of directors as in the table below has been voted and appointed by the majority of the shareholders for the mandate of 3 years:

No.	Director	Position	Mandat	Appointment Date
1	Mr. Yang Shaw Shin	Chairman	3 years	23 Nov 2015
2	Mr. Chen, Tsung-Chi	Executive Director	3 years	01 Oct 2019
3	Okhna. Ly Khunthai	Independent Director	3 years	23 Nov 2015
4	Mr. Huang, Tung-Fu	Non-Executive Director	3 years	21 Nov 2019
5	Ms. Wang Yi Ting	Non-Executive Director	3 years	23 Nov 2015

In order to facilitate the daily operation of the Company, **Mr. Phuong Vuthy**, HR Manager and Company Secretary has been appointed as a corporate secretary who is qualified and has experience in corporate secretary. Roles and responsibilities of the corporate secretary are as the following:

- Build an effective working relationship with the boards and senior officers of the company.
- Support the working process of the board and board committees.
- Keep up-to-date with the development of laws and regulations that might affect the board and the company.
- Keep up-to-date with Corporate Governance
- Prepare, manage procedures and maintain minutes of the board and shareholder meetings.
- Oversees all the policy and practice related to human resource affair.
- Oversees all the policy and practice related to human resource affair. He is in charge of various policies and standards such as recruitment, compensation, motivation, training and development, and disciplinary

**Mr. Phuong Vuthy**, Cambodian Citizen, holding Khmer ID card No. 010362067 issued on 09 April 2012. He has almost 20 years in administration and Human resource management. He has worked as administrative manager for various companies such as: ss Administration Manager responsible for HR and Administration at PPS Co., Ltd from 1994 to1996, as Administration Manager responsible for HR and Administration at Milling garment from 1997-1998. In 1999, he joined QMI Industrial (Cambodia) Co., Ltd. as Administration Manager responsible for HR and Administration and stay here ever since 2013.

## SENIOR OFFICERS OF GRAND TWINS

No.	Name	Sex	Postion	Responsibilities
1	Mr. Chen Tsung-Chi	M	Chief Executive Officer	<ul style="list-style-type: none"> <li>- Oversee the business direction and development of the Company</li> <li>- Responsible for all departments of our Company i.e. Accounting and Finance, Administration, Research and Development, Quality Control, Operation, Consistent Innovation, Information Technology and Social Responsibility having each officer reported directly to him.</li> <li>- Execute resolution of the Board of director and the policies determined by the Board of director.</li> <li>- Annual budgeting of Grand Twins and submitting it to the Board of director for approval.</li> <li>- Prepare annual report on activities, annual financial balance and submitting them to the Board of director approval.</li> <li>- Manage Grand Twin's employees in the framework determined by the Board of director and in accordance with the provisions stipulated in the statute of Grand Twins's employees.</li> <li>- Select, appoint, and dismiss any employee and execute the right according to hierarchy.</li> <li>- Exercise the right to provide power and right of his signature to any director or director or to any of his nominees.</li> </ul>
2	Mr. Hsieh Chung Nan	M	Head of Accounting and Finance Department	<ul style="list-style-type: none"> <li>- Responsible for the finance and accounting matters of the company. And reports to Executive Chairman and CEO.</li> </ul>
3	Mr. Jin Meng	M	Head of Information Technology Office	<ul style="list-style-type: none"> <li>- Take care of our information technology system.</li> <li>- Both our IT manager and networking engineer</li> </ul>
4	Ms. Cheng Yi Shan	F	Innovation Office And Head of Social Responsibility Office	<ul style="list-style-type: none"> <li>- Responsible for customer relations.</li> <li>- Coordinate with customers related to factory safety reviews and other social responsibilities policies.</li> <li>- Look after the factory working environment and reviewing the safety of production shipping and anti-terrorist policies.</li> <li>- Ensure that all employees follow safety standard and policies, and that this standard is up-to-date.</li> </ul>

5	<b>Mr. Hsieh Chung Nan</b>	M	Head of Research and Development Office and Head of Operation Office	<ul style="list-style-type: none"> <li>- Set up steps of the operation procedure</li> <li>- Oversee all the operation procedure such as production, delivery, and quality before sending to Quality Control Department.</li> <li>- Ensure that the operation is smooth.</li> <li>- Keep in touch with customers related to new model and new design.</li> <li>- Make sure that there is a continuous improvement on the quality.</li> <li>- Provide training to employee related to quality and operation procedure.</li> </ul>
6	<b>Mr. Lim Khunhout</b>	M	Head of Quality Control Office	<ul style="list-style-type: none"> <li>- Check the quality of product for customer.</li> </ul>
7	<b>Mr. Phuong Vuthy</b>	M	HR Manager and Company Secretary Head of Administration Office	<ul style="list-style-type: none"> <li>- Build an effective working relationship with the boards and senior officers of the company.</li> <li>- Support the working process of the board and board committees.</li> <li>- Keep up-to-date with the development of laws and regulations that might affect the board and the company.</li> <li>- Keep up-to-date with Corporate Governance</li> <li>- Prepare, manage procedures and maintain minutes of the board and shareholder meetings.</li> <li>- Oversees all the policy and practice related to human resource affair.</li> <li>- Oversees all the policy and practice related to human resource affair. He is in charge of various policies and standards such as recruitment, compensation, motivation, training and development, and disciplinary action.</li> <li>- Responsible for all the general affairs of the garment such as factory hygiene, food, company's vehicle management, workers' dormitory, factory lighting and office suppliers.</li> </ul>

Note: More detailed corporate governance of the Company will be prescribed in Annex of this annual report for 2020.

# 4. INFORMATION ON SECURITIES' TRADING AND SHAREHOLDING OF GRAND TWINS



## A. INFORMATION ON SECURITIES OF GRAND TWINS

<b>Name of equity securities</b>	Equity securities
<b>Equity securities' symbol</b>	GTI
<b>Class of equity securities</b>	Equity securities
<b>Par value per equity securities</b>	KHR1,000
<b>IPO price</b>	KHR9,640
<b>Total number of the outstanding shares</b>	40,000,000 shares
<b>Market capitalization</b>	KHR128,000 millions
<b>Permitted securities market</b>	Cambodia Securities Exchange
<b>Listing date</b>	On 16 June 2014

Grand Twin's share price may fluctuate significantly depending on the company's current or quarterly results or past annual financial results or the financial results of other companies in the garment industry. In general, the securities market is subject to fluctuations in the price of securities and the trading volume of securities in the market, which is affected by the operating results or financial results of the company, which is often not directly related or due to the company's operating results. In addition, fluctuations in the value of the company's securities may also be caused by the company failing to meet its obligations. Trading at low prices per unit of corporate equity can only happen for a period of time.

In fact, the value of Grand Twin's sshares as of December 31, 2020, the closing price is 3,200 Riels per share, decreased by 1,120 Riels or 74.07% compared to the closing price of 4,320 Riels as of December 31, 2019, the total trading volume of 16,522 share as of December 31, 2020 increased by 10,634 or 35.64% compared to the trading volume of 5,888 shares as of December 31, 2019.

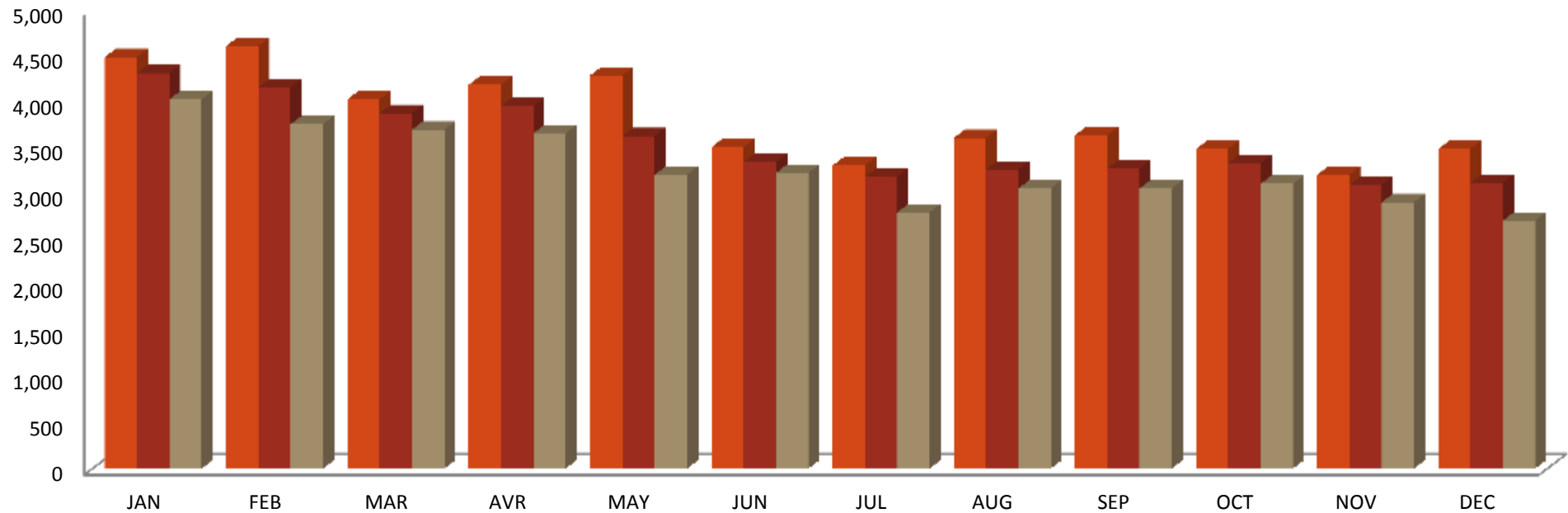
Separately, the value of the company's shares as of December 31, 2019, the closing price is 4,320 Riels per share decreased by 320 Riels or 9.19% compared to the closing price of 4,000 Riels per share as of December 31, 2018, the total trading volume of 5,888 shares in December 31, 2018 increased by 4,739 or 412% compared to the total trading volume of 5,888 shares as of December 31, 2018.

Based on the closing price as of December 31, 2020 compared to 2019 earnings, the shares were traded at a PE ratio of 10.19 times and the shares' price as of December 31, 2020 decreased by 68.67% compared to December 31, 2020. With the shares' price at the time of issuance is 9,640 riels, the PE ratio is only 11 times.

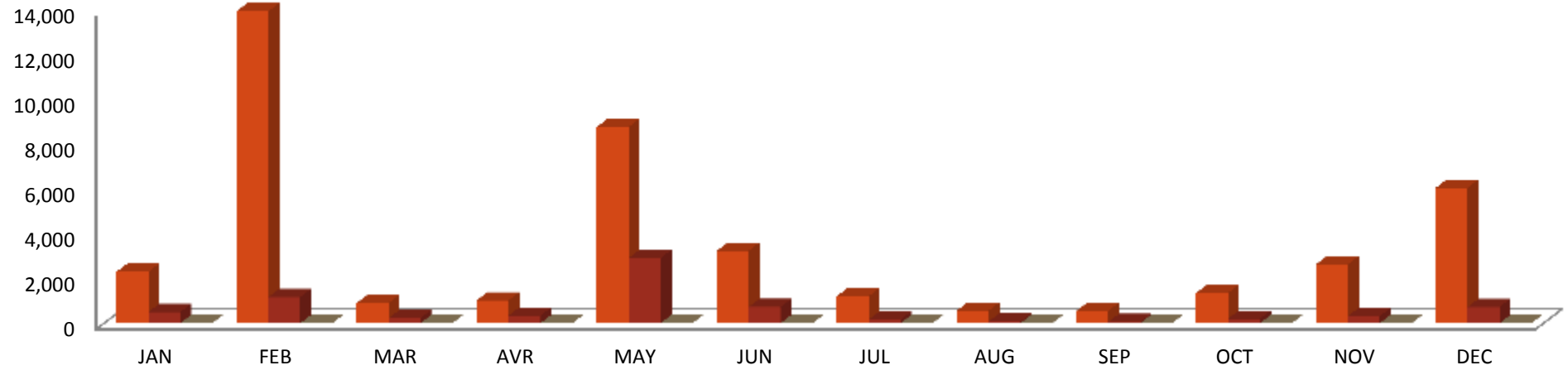
## B. SECURITIES' PRICE AND TRADING VOLUME



EQUITY SECURITIES		JAN	FEB	MAR	AVR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
TRADING	MAX	4,480	4,600	4,020	4,180	4,280	3,500	3,300	3,600	3,630	3,480	3,200	3,480
	AVE	4,302	4,152	3,869	3,945	3,619	3,337	3,176	3,257	3,265	3,325	3,087	3,113
	MIN	4,020	3,750	3,690	3,650	3,200	3,220	2,790	3,050	3,050	3,100	2,900	2,700
PRICE	MAX	2,288	13,930	891	1,011	8,761	3,227	1,202	548	546	1,347	2,625	6,050
	AVE	493	1,161	221	335	2,904	719	155	63	52	192	313	718
	MIN	0	0	0	0	0	0	0	0	0	0	0	0



■ TRADING MAX ■ TRADING AVE ■ TRADING MIN



■ PRICE MAX ■ PRICE AVE ■ PRICE MIN



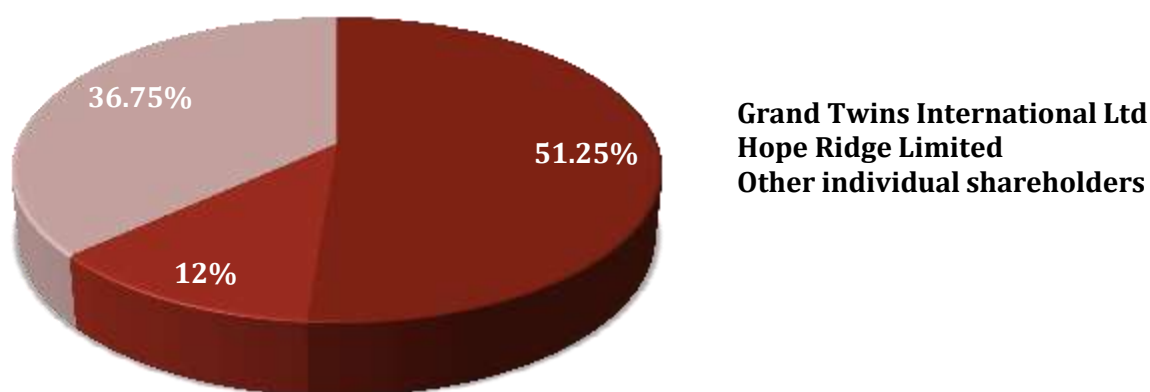
## C. CONTROLLING SHAREHOLDER OF GRAND TWINS

Prior to the public offering and listing on the Cambodia Securities Exchange, Grand Twin's total registered shares were held by 15 shareholders, two of whom were legal entities and 13 individuals. Shareholders who are legal entities include:

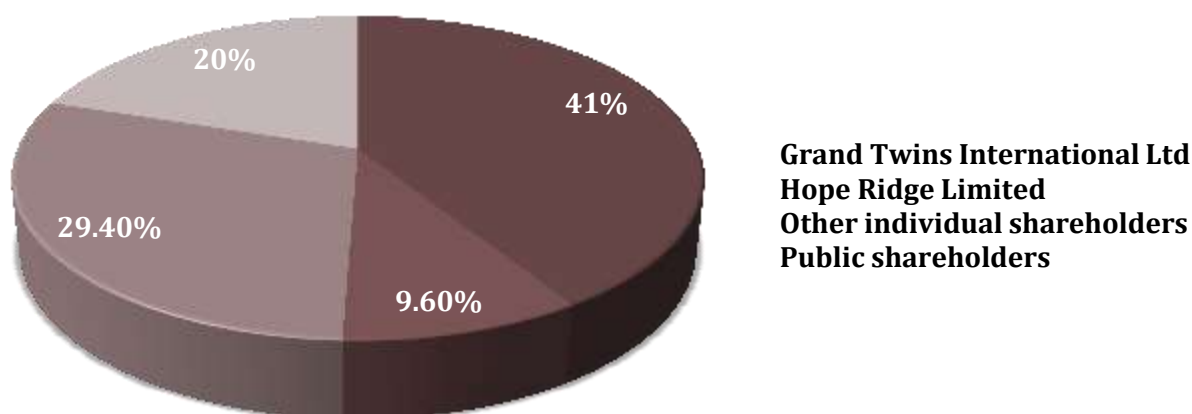
**Grand Twins International Ltd** is a registered company under the Business Companies Act 2004 in BVI, England, dated 06 June 2007, with its registration certificate No. 1409281, and having its registered address at Portcullis TrustNet (BVI) Limited, Portcullis TrustNet Chambers, PO Box 3444, Road Town, Tortola, British Virgin Islands and

**Hope Ridge Limited** is a registered company under the International Corporate Law of 1987 of Samoa, dated 18 July 2011. With its registration certificate No. 50449, and having its registered address at Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa.

### Shareholding Structure before listing



### Shareholding Structure after listing as at 31 December 2021



## Shareholders to be locked up

Pursuant to the Securities Law and other related regulations, Grand Twins' majority shareholder is prohibited from transferring or selling its securities for a specified period of time. The following are the shareholders to be locked up:

### Grand Twins International Ltd.

Number of shares to be listed: 16,400,000 shares  
Reason of lock up: A controlling shareholder  
Lock-up period: From June 16, 2014 to June 15, 2015

### Hope Ridge Limited

Number of shares to be subdivided: 3,840,000 equity securities  
Reason of lock up: A substantial shareholder  
Lock-up period: From June 16, 2014 to June 15, 2015

As at 31 December 2020, Grand Twins International Ltd is still the majority shareholder of the Company. The shares to be locked-up held by Grand Twins International Ltd, as the Company's majority shareholder, ended on 15 June 2015.

The majority shareholder of the Company has the right to trade its shares on the CSX after the lockup period has ended in accordance with the relevant laws and regulations.

Shareholder	Nationality	Registered Address	Registration Number	Number of Shares	%
<b>Controlling Shareholder</b>					
Grand Twins International Ltd	BVI	Portcullis TrustNet (BVI) Limited, Portcullis TrustNet Chambers, P.O. Box 3444, Road Town, Tortola, British Virgin Islands	F82856673715	16,400,000	41

## D. SUBSTANTIAL SHAREHOLDER OF GRAND TWINS

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As at 31 December 2020, Hope Ridge Limited is the Company's substantial shareholder, ended on 15 June 2015. The shareholders who hold the majority voting rights of the Company have the right to trade its shares on the CSX after the lock-up period has ended in accordance with the relevant laws and regulations.

Shareholder	Nationality	Registered Address	Registration Number	Number of Shares	%
<b>Substantial Shareholder</b>					
Hope Ridge Limited	Samoa	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Samoa	F91855696784	3,840,000	9.60

## **E. INFORMATION ON DIVIDEND DISTRIBUTION IN THE LAST 03 YEARS**

As at 31 December 2020, Grand Twins has distributed dividends to its shareholders for the sixth time after the company officially listed and listed on the CSX. The amount of 36.07% of the profit after tax for the FYE of 2019 is distributed as dividends to the shareholders of the Company, each of whom receives 50 Riels per share.

We, on the other hand, does not have a quarterly dividend distribution policy. Dividends will be distributed at the end of each financial year and in accordance with the Board's decision.

<b>Description of Dividend Distribution</b>	<b>2020 In KHR "000"</b>	<b>2019 In KHR "000"</b>	<b>2018 In KHR "000"</b>
<b>Net profit</b>	1,174,247	3,486,786	5,789,697
<b>Total cash dividend</b>	-	2,000,000	2,400,000
<b>Total share dividend</b>	-	-	-
<b>Other dividend</b>	-	-	-
<b>Dividend payout ratio (%)</b>	-	36.07%	41.45%
<b>Dividend yield (%)</b>	-	-	1.38%
<b>Dividend per share</b>	-	0.05	0.06

**5. REPORT ON  
THE REVIEW OF CONDENSED FINANCIAL  
STATEMENTS BY INTERNAL AUDITOR**



**Grand Twins International  
(Cambodia) Plc.**

**Internal Audit Report  
On the implementation of internal control for 2020**

The continued growth and transformation of the business activities of the Company was back. Therefore, we face many risks that require effective and efficient management. Otherwise, we will not be able to achieve its financial action plan and development goals.

Our approach to risk management is to determine in advance the types of risks and list the risks that will affect the Company's business and the relevance of those risks. Grand Twins must develop preventive measures and mechanisms for monitoring and addressing, and clearly define responsibilities and responsibilities for each employee to address those risks.

Internal audit work is critical to the successful completion of the Company's day-to-day operations and the achievement of objectives through the use of accurate and specific assessment methods in order to increase the efficiency of risk management and increase the efficiency of business operations. Of the company through monitoring and recommendation based on data analysis and evaluation.

Grand Twin has established a strong internal control system to protect asset security and improve services for key customers and other customers, prevent intentional and unintentional mistakes, to ensure that the management, staff and all employees of the company. Grand Twin adheres to and adheres to the Company's standards, professional standards, and other company guidelines.

The Internal Audit Unit was established in early 2013 and clearly defines the roles, duties and responsibilities for independent evaluation of the internal control system. At present, the Internal Audit Unit has 3 members, which are specialized in accounting, technical and auditing.

In 2020, the Internal Audit Unit inspected and evaluated the work according to the action plan for 2020 and the previous quarter of 2020 for the company's business operations.

The audit for 2020 examines the results and evaluates the performance of the Internal Audit Unit and some of the main tasks, namely: (1) Review of the summary financial statements prepared by the Internal Auditor. (2) Review of the consolidated financial statements for the quarters of 2020 and the financial statements for the year ended 2020 as of December 31, 2020, which have been reviewed and audited by an independent auditor. Will review and decide by the Board of Directors, ensuring the efficiency between the independent auditor and the internal auditor, and (3) some other major work.

Employees and management in each department with good ethics, strong will to work, good discipline, prepare documents, date well and report monthly, quarterly, semi-annual and annual work regularly and on time. .

The above audit conducted for 2020 shows that the above operational process is performing well in accordance with the regulations, labor standards and legal standards.

Having read and approved  
Phnom Penh, dated 30 March 2021  
Signature and Name of the audit committee  
Head of the audit committee

Phnom Penh, dated 30 March 2021  
Signature and Name of the internal audit

  
  
**Okhna. Ly Kunthai**

  
**Mr. Hsieh Chung Nan**

**6. REPORT ON  
THE AUDITED FINANCIAL STATEMENTS  
BY INDEPENDENT AUDITOR**

# Audited Financial Statement for 2020 as at 31<sup>st</sup> December 2020





**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
GRAND TWINS INTERNATIONAL (CAMBODIA) PLC  
(Incorporated in Cambodia)  
Registration No: 00012347**

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

Unit 4B, 4<sup>th</sup> floor, K1 Building,  
#148, Mao Tse Toung Blvd  
(St.245) Songkat ToulTompong 2  
Khan Chomkarmon, Phnom Penh  
Kingdom of Cambodia  
Main +855 23 216 717  
Fax +855 23 216 727  
[www.crowe.com.kh](http://www.crowe.com.kh)  
[info@crowe.com.kh](mailto:info@crowe.com.kh)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the financial statements of Grand Twins International Cambodia Plc (“the Company”), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Grand Twins International (Cambodia) Plc as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”).

**Basis of opinion**

We conducted our audit in accordance with Cambodia International Standards on Auditing (“CISAs”). Our responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (“IESBA-Code”) together with the ethics requirements that are relevant to our audit of financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other matters**

The financial statements of the Company for the preceding financial year were audited by another firm of auditors whose report dated 27 March 2020 expressed an unmodified opinion on those statements.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Recoverability of trade receivables Refer to Note 7 to the financial statements	
<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>

<p>As at 31 December 2020, the carrying amount of trade receivables amounted to approximately USD 47,046,449.</p> <p>Management recognised the allowance of impairment losses on trade receivables based on specific known facts or customers' ability to pay.</p> <p>We focused on this area as determination of whether trade receivables are recoverable involves significant management judgement</p>	<p>Our procedures included, amongst others:-</p> <p>(a) Obtained an understanding of:-</p> <ul style="list-style-type: none"> <li>• the control over the trade receivables collection process;</li> <li>• how the Management identifies and assesses the impairment of trade receivables; and</li> <li>• how the Management makes the accounting estimates for impairment.</li> </ul> <p>(b) Reviewed the ageing analysis of trade receivables and tested its reliability;</p> <p>(c) Reviewed subsequent cash collections for major trade receivables and overdue amounts;</p> <p>(d) Made inquiries of management regarding the action plans to recover overdue amounts;</p> <p>(e) Compared and challenged management's view on the recoverability of overdue amounts to historical patterns of collection;</p> <p>(f) Examined other evidence including customers' correspondences, proposed or existing settlement plans and repayment schedules; and</p> <p>(g) Evaluated the reasonableness and tested the adequacy of the impairment losses recognised for identified exposures on trade receivables by assessing the relevant assumptions and historical data from the Company's previous collection experience.</p>
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<p>Valuation of inventories</p> <p>Refer to Note 6 to the financial statements</p>	
<b>Key Audit Matter</b>	<b>How our audit addressed the Key Audit Matter</b>
<p>As at 31 December 2020, the carrying amount of inventories amounted to approximately USD 23,285,393 which exposed to a risk that the inventories may become slow moving or obsolete and eventually non-saleable or selling below their carrying values.</p> <p>Management's judgement and estimation were involved in identifying inventories with net realisable values that are lower than their costs, and obsolescence, with reference to the condition of the inventories, historical and current sales information, as well as the ageing of inventories to identify slow-moving items to ascertain the amount of</p>	<p>Our procedures included, amongst others:-</p> <p>(a) Obtained an understanding of:-</p> <ul style="list-style-type: none"> <li>• the inventory management process;</li> <li>• how the Management identifies and assesses inventory write-downs; and</li> <li>• how the Management makes the accounting estimates for inventory write-downs.</li> </ul> <p>(b) Attended inventory counts and reconciled the count results to the inventory listings for completeness.</p> <p>(c) Reviewed and tested the accuracy of the cost absorption against the underlying documents.</p> <p>(d) Reviewed and tested the net realisable value of</p>

allowance for inventories.	inventories on a sampling basis.  (e) Evaluated the consistency of the application of management’s methodology for calculating the allowance for inventory write-downs from year to year and assessing the adequacy of the allowance estimated and provided in the financial statements.
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**Other information**

The Board of Directors is responsible for the other information. The other information comprises the information included in its annual report, but does not include the financial statements and our auditor’s report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information prepared by Management and we will not express any form of audit assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Board of Directors and respond to other matter in accordance with the requirements of CISA 720 (revised). We have nothing to report in this regard.

**Responsibilities of the Board of Directors for the financial statements**

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with CIFRSs, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

**Auditor’s responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error,

as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Crowe (KH) Co., Ltd.  
  
Onn Kien Hoe  
Director



30 MAR 2021

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	Note	31 December 2020		31 December 2019	
		USD	KHR'000	USD	KHR'000
			(Note 3.2)		(Note 3.2)
<b>Assets</b>					
<b>Non-current</b>					
Property, plant and equipment	4	12,946,469	52,368,467	14,223,478	57,960,673
Intangible assets	5	4,762	19,262	7,600	30,970
<b>Non-current assets</b>		<b>12,951,231</b>	<b>52,387,729</b>	<b>14,231,078</b>	<b>57,991,643</b>
<b>Current</b>					
Inventories	6	23,285,393	94,189,415	21,895,679	89,224,892
Trade and other receivables	7	50,692,086	205,049,488	57,002,230	232,284,087
Cash and cash equivalents	8	974,600	3,942,257	641,825	2,615,437
<b>Current assets</b>		<b>74,952,079</b>	<b>303,181,160</b>	<b>79,539,734</b>	<b>324,124,416</b>
<b>Total assets</b>		<b>87,903,310</b>	<b>355,568,889</b>	<b>93,770,812</b>	<b>382,116,059</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Share capital	9	10,000,000	40,450,000	10,000,000	40,450,000
Share premium	10	17,280,000	69,897,600	17,280,000	69,897,600
Retained earnings		41,682,835	170,667,243	41,392,539	167,434,643
Currency translation reserve		-	(2,060,176)	-	2,058,353
<b>Total equity</b>		<b>68,962,835</b>	<b>278,954,667</b>	<b>68,672,539</b>	<b>279,840,596</b>
<b>Liabilities</b>					
<b>Non-current</b>					
Deferred tax liabilities	18.3	572,107	2,314,173	572,107	2,331,336
Trade and other payables	11	810,000	3,276,450	1,170,000	4,767,750
<b>Non-current liabilities</b>		<b>1,382,107</b>	<b>5,590,623</b>	<b>1,742,107</b>	<b>7,099,086</b>
<b>Current</b>					
Trade and other payables	11	9,058,383	36,641,159	14,422,676	58,772,405
Borrowings	12	8,212,061	33,217,787	8,642,988	35,220,176
Income tax payables	18.2	287,924	1,164,653	290,502	1,183,796
<b>Current liabilities</b>		<b>17,558,368</b>	<b>71,023,599</b>	<b>23,356,166</b>	<b>95,176,377</b>
<b>Total liabilities</b>		<b>18,940,475</b>	<b>76,614,222</b>	<b>25,098,273</b>	<b>102,275,463</b>
<b>Total equity and liabilities</b>		<b>87,903,310</b>	<b>355,568,889</b>	<b>93,770,812</b>	<b>382,116,059</b>

**STATEMENT OF OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE PERIOD  
ENDED 31 DECEMBER 2020**

	Note	31 December 2020		31 December 2019	
		USD	KHR'000	USD	KHR'000
			(Note 3.2)		(Note 3.2)
Revenue	13	119,183,897	482,098,863	169,254,312	685,818,472
Cost of sales	14	(112,718,107)	(455,944,743)	(157,936,710)	(639,959,549)
Gross profit		6,465,790	26,154,120	11,317,602	45,858,923
Other income		372,679	1,507,487	272,987	1,106,143
Administrative expenses	15	(3,945,619)	(15,960,029)	(4,354,391)	(17,643,992)
Distribution costs	16	(1,822,184)	(7,370,734)	(5,663,406)	(22,948,121)
Other expenses		(107,424)	(434,530)	(92,186)	(373,538)
Operating profit		963,242	3,896,314	1,480,606	5,999,415
Finance income		1,608	6,504	1,846	7,480
Finance costs	17	(413,814)	(1,673,877)	(454,127)	(1,840,123)
Profit before income tax		551,036	2,228,941	1,028,325	4,166,772
Income tax expense	18.1	(260,740)	(1,054,694)	(167,815)	(679,986)
Profit for the year		290,296	1,174,247	860,510	3,486,786
Other comprehensive income		-	-	-	-
Currency translation difference		-	-	-	2,058,353
Total comprehensive income for the year		290,296	1,174,247	860,510	5,545,139

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

	Note	31 December 2020		31 December 2019	
		USD	KHR'000	USD	KHR'000
			(Note 3.2)		(Note 3.2)
Basic earnings per share	20	0.007	0.029	0.022	0.087
Diluted earnings per share	20	0.007	0.029	0.022	0.087

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 31 DECEMBER 2020**

	Share capital USD	Share premium USD	Retained earnings USD	Total USD	KHR'000
					(Note 3.2)
Balance as at 1 January 2020	10,000,000	17,280,000	41,392,539	68,672,539	279,840,596
Profit for the year	-	-	290,296	290,296	1,174,247
Currency translation difference	-	-	-	-	(2,060,176)
Balance as at 31 December 2020	10,000,000	17,280,000	41,682,835	68,962,825	278,954,667
Balance as at 1 January 2019	10,000,000	17,280,000	41,132,029	68,412,029	276,726,657
Profit for the year	-	-	860,510	860,510	3,486,786
Dividends paid	-	-	(600,000)	(600,000)	(2,431,200)
Currency translation difference	-	-	-	-	2,058,353
Balance as at 31 December 2019	10,000,000	17,280,000	41,392,539	68,672,539	279,840,596

**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2020**

	Note	For the year ended 31 December 2020		For the year ended 31 December 2019	
		USD	KHR'000	USD	KHR'000
			(Note 3.2)		(Note 3.2)
<b>Operating activities</b>					
Profit before income tax		551,036	2,228,941	1,028,325	4,166,772
Adjustments for:					
Amortisation of intangible assets		2,838	11,480	5,194	21,046
Depreciation of property, plant and equipment		1,809,244	7,318,392	1,868,746	7,572,159
Interest expense		413,814	1,673,877	454,127	1,840,123
Interest income		(1,608)	(6,504)	(1,846)	(7,480)
Operating profit before working capital					
Changes in working capital:		2,775,324	11,226,186	3,354,546	13,592,620
Change in inventories		(1,389,714)	(5,621,393)	3,554,189	14,401,574
Change in trade and other receivables		6,310,144	25,524,532	(8,172,569)	(33,115,250)
Change in trade and other payables		(5,724,293)	(23,154,765)	2,856,881	11,576,082
Cash generated from operating activities		1,971,461	7,974,560	1,593,047	6,455,026
Income tax paid		(263,318)	(1,065,121)	(91,406)	(370,377)
Net cash from operating activities		1,708,143	6,909,439	1,501,641	6,084,649
<b>Investing activities</b>					
Purchases of property, plant and equipment		(532,235)	(2,152,891)	(2,466,459)	(9,994,092)
Interest received		1,608	6,504	1,846	7,480
Net cash used in investing activities		(530,627)	(2,146,387)	(2,464,613)	(9,986,612)
<b>Financing activities</b>					
Interest paid		(413,814)	(1,673,877)	(454,127)	(1,840,123)
Repayment of bank borrowings		(14,260,927)	(57,685,450)	(12,333,939)	(49,977,121)
Drawdown of borrowings		13,830,000	55,942,350	13,960,000	56,565,920
Dividends paid		-	-	(600,000)	(2,431,200)
Net cash from/ (used in) financing activities		(844,741)	(3,416,977)	571,934	2,317,476
Net change in cash and cash equivalents		332,775	1,346,075	(391,038)	(1,584,487)
Cash and cash equivalents, at the beginning of year		641,825	2,615,437	1,032,863	4,177,931
Currency translation difference		-	(19,255)	-	21,993
Cash and cash equivalents, at the end of year		974,600	3,942,257	641,825	2,615,437



**NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 31 DECEMBER 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 its legal form to a public limited company. Thereafter, the Company was listed on the Cambodia Securities Exchange on 16 June 2014.

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

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

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 year.

**2. BASIS OF PREPARATION**

The financial statements of the Company have been prepared in accordance with the Cambodian International Financial Reporting Standards (“CIFRSs”).

The National Accounting Council of Cambodia, as mandated by Prakas (Circular) No. 068-MEF-Pr dated 8 January 2009 issued by the Ministry of Economy and Finance of Cambodia on the adoption of Cambodian Financial Reporting Standards, has decided to fully adopt International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) without modifications. The new standards are referred to as “Cambodian International Financial Reporting Standards” (“CIFRSs”).

- (a) During the current financial year, the Company has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

**CIFRSs and/or IC Interpretations (Including The Consequential Amendments)**

Amendments to CIFRS 3: Definition of a Business

Amendments to CIFRS 4: Extension of the Temporary Exemption from Applying CIFRS 9

Amendments to CIFRS 9, CIAS 39 and CIFRS 7: Interest Rate Benchmark Reform

Amendments to CIAS 1 and CIAS 8: Definition of Material

Amendments to References to the Conceptual Framework in CIFRS Standards

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Company’s financial statements.

- (b) The Company has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the International Accounting Standards Board (IASB) but are not yet effective for the current financial year:-

**CIFRSs and/or IC Interpretations (Including The**

**Effective Date**

### **Consequential Amendments)**

CIFRS 17 Insurance Contracts	1 January 2023
Amendments to CIFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to CIFRS 9, CIAS 39, CIFRS 7, CIFRS 4 and CIFRS 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to CIFRS 10 and CIAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to CIFRS 16: COVID-19-Related Rent Concessions	1 June 2020
Amendments to CIFRS 17 Insurance Contracts	1 January 2023
Amendments to CIAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to CIAS 16: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to CIAS 37: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to CIFRS Standards 2018 – 2020	1 January 2022

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Company upon their initial application.

## **3 SIGNIFICANT ACCOUNTING POLICIES**

### **3.1 Critical accounting estimates and judgements**

The outbreak of the COVID-19 has brought unprecedented challenges and added economic uncertainties in Cambodia and markets in which the Company operates. While the Company has considered the potential financial impact of the COVID-19 pandemic in the preparation of these financial statements, the full financial impact to the Company remains uncertain. Accordingly, there is a possibility that factors not currently anticipated by management could occur in the future and therefore affect the recognition and measurement of the Company's assets and liabilities at the reporting date.

#### *Key sources of estimation uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

#### **(a) Depreciation of property, plant and equipment**

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Company anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 4 to the financial statements.

**(b) Write-down of inventories**

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 6 to the financial statements.

**(c) Impairment of trade receivables**

The Company uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Company develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 7 to the financial statements.

**(d) Impairment of non- trade receivables**

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. It also requires the Company to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Company uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information incorporating the impact of COVID-19 pandemic. The carrying amount of other receivables as at the reporting date is disclosed in Note 7 to the financial statements.

**(e) Income taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amount of current tax liabilities as at the reporting date is USD287,924 (2019 – USD290,502).

*Critical judgements made in applying accounting policies*

Management believes that there are no instances of application of critical judgement in applying the Company's accounting policies which will have a significant effect on the amounts recognised in the financial statements.

**3.2 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 the United States Dollars ("USD"), the Board of Directors has determined the USD to be the Company's currency for measurement and presentation purposes as it reflects the economic substance of the underlying events and circumstances of the Company.

Transactions in foreign currencies, other than USD, are translated to USD at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than USD at the reporting date are translated into USD at the rates of exchange ruling at that date. Exchange differences arising on translation are recognised in the statement of comprehensive income.

The translations of USD amounts into KHR presented in the financial statements are included solely to comply with the Law on Accounting and Auditing (April 2016) and have been made using the prescribed official annual average exchange rate of USD1 to KHR4,045 for the year ended 31 December 2020 (2019: KHR4,052) and closing rate USD1 to KHR4,045 as at 31 December 2020 as announced by the General Department of Taxation (“GDT”).

Such translation amounts are unaudited and should not be construed as representations that the USD amounts represent, or have been or could be, converted into KHR at that or any other rate.

### 3.3 Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in CIAS 32. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity

Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in CIFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

#### **(a) Financial assets**

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

##### *Debt instruments*

##### **(i) Amortised cost**

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying

amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

(ii) Fair value through other comprehensive income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair value through profit or loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Company reclassifies debt instruments when and only when its business model for managing those assets change.

*Equity instruments*

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Company has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments

**(b) Financial liabilities**

(i) Financial liabilities at fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value (excluding interest expense) of these financial liabilities are recognised in profit or loss.

(ii) Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

**(c) Equity instruments**

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

**(d) Derecognition**

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**3.4 Property, plant and equipment**

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is



derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred

Depreciation is calculated to write off the cost of the assets to their residual values over the following estimated useful lives/percentage and methods:

	Estimated useful life/ percent age	Method
Leasehold land	100 years	straight-line
Building and structure	10 years	straight-line
Plant and machinery	20%	declining balance
Motor vehicles	25%	declining balance
Equipment and computers	25% to 50%	declining balance

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

### 3.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition. The cost of conversion includes cost directly related to the units of production, and a proportion of fixed production overheads based on the normal capacity of the production facilities.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

### 3.6 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

### 3.7 Impairment

#### (a) Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost and trade receivables.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash

flows that the Company expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Company always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Company recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

## **(b) Impairment of financial assets**

The carrying values of assets, other than those to which CIAS 36 does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

### 3.8 Employee benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Company.

### 3.9 Income Taxes

#### **(a) Current tax**



Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

**(b) Deferred tax**

Deferred tax is recognised using the liability method for temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

**3.10 Earnings per ordinary share**

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding.

**3.11 Fair value measurements**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

### 3.12 Revenue from contracts with customers

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Company performs.
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

### Sale of Products

Revenue from sale of product is recognised when the Company has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

### 3.13 Leases

The Company assesses whether a contract is or contains a lease, at the inception of the contract. The Company recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Company recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received. The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The

depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Company or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

#### 4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold land USD	Building and structure USD	Plant and machineries USD	Motor vehicles USD	Equipment and computer USD	Total USD
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	-	-	486,301	-	45,934	532,235
Write off	-	-	(13,667)	(7,870)	-	(21,537)
Balance at 31 December 2020	3,880,000	8,971,311	18,118,369	109,550	1,970,925	33,050,155
Depreciation						
Balance at 1 January 2020	(310,400)	(5,416,875)	(10,731,442)	(112,053)	(1,745,209)	(18,315,979)
Depreciation	(38,800)	(232,554)	(1,480,119)	(1,342)	(56,429)	(1,809,244)
Write off	-	-	13,667	7,870	-	21,537
Balance at 31 December 2020	(349,200)	(5,649,429)	(12,197,894)	(105,525)	(1,801,638)	(20,103,686)
Carrying amount at 31 December 2020	3,530,800	3,321,882	5,920,475	4,025	169,287	12,946,469
KHR'000 (Note 3.2)	14,282,086	13,437,013	23,948,321	16,281	684,766	52,368,467

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	3,569,600	3,554,436	6,914,293	5,367	179,782	14,223,478
KHR'000 (Note 3.2)	14,546,120	14,484,327	28,175,744	21,871	732,611	57,960,673

Included in the net carrying amount of property, plant and equipment are right of use assets as follows:

	31 December 2020		31 December 2019	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Leasehold land	3,530,800	14,282,086	3,569,600	14,546,120

The depreciation charges are allocated as follows:

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Cost of sales	1,757,106	7,107,494	1,768,495	7,165,942
Administrative expenses	52,138	210,898	100,251	406,217
	1,809,244	7,318,392	1,868,746	7,572,159



- (a) Amount due from QMI Industrial Co., Ltd. is non-interest bearing and the normal trade credit terms granted by the Company is three months (2019: three months). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (b) Amount due from Quint Major Industrial Co., Ltd. is in respect of lease of sewing machines, which are unsecured, interest-free and repayable on demand.

The ageing analysis of trade receivables of the Company is as follows:

	31 December 2020		31 December 2019	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Neither past due nor impaired	28,199,246	114,065,950	42,946,817	175,008,279
Past due, not impaired				
91 to 120 days	18,847,203	76,236,936	10,596,328	43,180,037
	47,046,449	190,302,886	53,543,145	218,188,316

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are with a creditworthy debtor. The debtor had maintained good working relationship with the Company and there is no indication as of the end of reporting period that the debtor will not meet its payment obligations. None of the trade receivables of the Company that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Owing to the nature of the balance that is due solely from its related party which is the subcontractor of creditworthy companies, such as Adidas group, Reebok, Taylor Made, Salomon, New Balance, among others, those customers have been assessed as having no significant financial difficulties. Hence, no impairment was made in respect of these past due trade receivables. These receivables are unsecured in nature.

## 8 CASH AND CASH EQUIVALENTS

	31 December 2020		31 December 2019	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Cash on hand	54,447	220,238	99,641	406,037
Cash at banks	920,153	3,722,019	542,184	2,209,400
	974,600	3,942,257	641,825	2,615,437

The currency exposure profile of cash and cash equivalents is shown below:

	31 December 2020		31 December 2019	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Khmer Riel	33,175	134,193	66,650	271,599
US Dollar	941,425	3,808,064	575,175	2,343,838
	974,600	3,942,257	641,825	2,615,437

## 9 SHARE CAPITAL

31 December 2020		31 December 2019	
Number	USD	Number	USD

Ordinary shares of USD 0.25 each Authorised	200,000,000	50,000,000	200,000,000	50,000,000
Issued and fully paid	40,000,000	10,000,000	40,000,000	10,000,000
KHR'000 (Note 3.2)	-	40,450,000	-	40,450,000

## 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 1,123,810 and 6,876,190 new ordinary shares of USD 0.25 each to the Cambodian public and selected investors, respectively, at an issue price of USD 2.41 per share on 16 June 2014.

## 11 TRADE AND OTHER PAYABLES

	31 December 2020		31 December 2019	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Non-current				
Other payables	810,000	3,276,450	1,170,000	4,767,750
Current				
Trade payables	1,934,925	7,826,772	1,619,582	6,599,798
Amount due to a related party				
Quint Major Industrial Co., Ltd	4,956,912	20,050,709	7,954,820	32,415,892
QMI Industrial Co., Ltd	1,872	7,572	2,832,549	11,542,637
Accruals	1,814,255	7,338,661	1,659,457	6,762,287
Withholding tax payables	330,845	1,338,268	335,580	1,367,489
Other payables	19,574	79,177	20,688	84,302
	9,058,383	36,641,159	14,422,676	58,772,405
	9,868,383	39,917,609	15,592,676	63,540,155

Amount owing to related party is in respect of cash advance received during the year for Company's use in its operation. This amount is unsecured, interest-free and payable upon demand.

## 12 BORROWINGS

	31 December 2020		31 December 2019	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Current liabilities				
First Commercial Bank	6,400,000	25,888,000	6,400,000	26,080,000
Taiwan Cooperative Bank	1,812,061	7,329,787	2,242,988	9,140,176
	8,212,061	33,217,787	8,642,988	35,220,176

The effective interest rates of the borrowings are as follows:

	31 December 2020	31 December 2019
	%	%
Current liabilities	3.83 – 5.09	5 – 6.13

### 12.1 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%≥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%≥5%.

The loan was subsequently renewed on 4 September 2019 for another one-year term. The annual interest on the loan is the floating rate of six months LIBOR rate plus 3%≥5%. Monthly interest payable is calculated on the basis of 360 days per year.

The loan was renewed on 6 November 2020 for one-year term. The interest is the floating rate of six months Libor rate Plus 3%≥5% per annum. 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, Trapaing Por, Sangkat Chom Chao, Khan Dangkor, Phnom Penh, Cambodia; and,
- (c) All present and future assets of the Company.

As at 31 December 2020, the outstanding borrowing with First Commercial Bank is USD6,400,000.

## 12.2 Term loan with the Taiwan Cooperative Bank

The Company entered into a loan agreement with the Taiwan Cooperative Bank on 6 November 2017 for USD3,000,000 payable for 84 months starting from the date of first drawdown. On 29 November 2017 and 22 December 2017, the Company drawdown 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:

- a. Letters of guarantee by Mr. Yang Shaw Shin, Director of the Company;
- b. First-rank hypothec over the real properties owned by Mr. Yang Shaw Shin (including land(s) and all constructions) as following:
  - 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 14,871m<sup>2</sup>, locate at Phum Chorm Pol, Khum Porpel, Srok Tram Kak, Takeo province, Cambodia.

The term loan is subject to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company has not met all the key financial ratios as at 31 December 2020, hence the bank is contractually entitled to request immediate repayment of the outstanding loan amount of USD1,812,061. Accordingly, outstanding balance is presented as current liabilities as at 31 December 2020.

The bank has not requested early repayment of the loan as of the date when these financial statements were approved by the Board of Directors.



### 13 REVENUE

	31 December 2020		31 December 2019	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
<u>Recognised at a point in time</u>				
Sales of goods	117,404,371	474,900,681	169,254,312	685,818,472
Subcontract revenue	1,760,828	7,122,549	-	-
Cut, make and pack revenue	18,698	75,633	-	-
	<u>119,183,897</u>	<u>482,098,863</u>	<u>169,254,312</u>	<u>685,818,472</u>

### 14 COST OF SALES

	31 DECEMBER 2020		31 DECEMBER 2019	
	USD	KHR'000 (NOTE 3.2)	USD	KHR'000 (NOTE 3.2)
DIRECT MATERIALS	77,781,476	314,626,070	110,403,314	447,354,228
DIRECT LABOUR	8,836,550	35,743,845	14,347,198	58,134,846
OVERHEAD	26,100,081	105,574,828	33,186,198	134,470,475
	<u>112,718,107</u>	<u>455,944,743</u>	<u>157,936,710</u>	<u>639,959,549</u>

### 15 ADMINISTRATIVE EXPENSES

	31 December 2020		31 December 2019	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Research and development costs	1,680,714	6,798,489	1,914,035	7,755,670
Personnel costs	1,519,178	6,145,075	1,703,900	6,904,203
Stationeries	73,876	298,828	103,837	420,748
Depreciation	52,138	210,898	100,251	406,217
Professional service fees	209,185	846,153	78,558	318,317
Tax and other expenses	78,757	318,572	54,343	220,198
Traveling	31,508	127,450	36,598	148,295
Repairs and maintenance	23,627	95,571	34,998	141,812
Postage and stamp	28,061	113,507	32,681	132,423
Property insurance	31,425	127,114	23,799	96,434
Equipment rental*	17,670	71,475	16,980	68,803
Donation	1,200	4,854	10,000	40,520
Entertainment	2,399	9,704	6,310	25,568
Utilities	4,200	16,989	4,200	17,018
Others	191,681	775,350	233,901	947,766
	<u>3,945,619</u>	<u>15,960,029</u>	<u>4,354,391</u>	<u>17,643,992</u>

\*Represents low value assets charged to profit and loss.

### 16 DISTRIBUTION COSTS

	31 December 2020		31 December 2019	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Custom and document fees	1,653,799	6,689,617	2,842,038	11,515,938
Freight outwards	168,385	681,117	2,821,368	11,432,183
	<u>1,822,184</u>	<u>7,370,734</u>	<u>5,663,406</u>	<u>22,948,121</u>

### 17 FINANCE COSTS

This amount represents the interest expense on the outstanding borrowings.

### 18 TAXATION



## 18.1 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 of 1%, whichever is higher. Owing to its qualified investment project status, the Company is exempt from paying minimum tax. As of the reporting date, the Company is still in the process of obtaining Certificate of Compliance from the Council for the Development of Cambodia for the year ended 2018. The Management strongly believes that the certificate can be obtained which will enable the Company to enjoy exemption from minimum tax.

The Company is also exempt from paying prepayment tax on income as the imposition of this tax is temporarily suspended until the end of year 2022 as per Prokas No. 1130MEF.Prk dated on 27 October 2017 issued by the Ministry of Economy and Finance.

The Company's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations for many types of transactions is susceptible to varying interpretations, the amounts reported in the financial statements could change at a later date upon final determination by the tax authorities.

On 27 March 2019, the Company has submitted a request letter to the General Department of Taxation ("GDT") to delay the payment of income tax balance for the year ended 31 December 2018 amounted to KHR1,173,051,595 (USD293,762) until May 2019. The request was approved by the GDT via a letter dated 12 April 2019.

On 23 and 30 July 2019, the Company has submitted a request letter to the GDT to offset the income tax balance for the year ended 31 December 2018 abovementioned with the VAT credit and overpayment amounting to KHR4,162,728,512 (USD1,040,682) and KHR235,505,120 (USD58,876), respectively. The Management strongly believes that the request will be approved by the GDT, hence the income tax balance remain unpaid as of the reporting date.

A reconciliation between accounting profit before tax and estimated taxable income for the years ended 31 December 2020 and 2019 follows:

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Profit before income tax	551,036	2,228,941	1,028,325	4,166,772
Income tax expense at applicable tax rate of 20% (2018: 20%)	110,207	445,788	205,665	833,354
Tax effects in respect of:				
Non-allowable expenses	41,373	167,354	15,751	63,823
Under provision in respect of prior years	153,639	621,470	-	-
Other movements	(44,479)	(179,918)	(53,601)	(217,191)
<b>Income tax expense</b>	<b>260,740</b>	<b>1,054,694</b>	<b>167,815</b>	<b>679,986</b>
Tax expense comprise:				
Estimated current income tax expense	260,740	1,054,694	23,349	94,610
Deferred tax expense	-	-	144,466	585,376
	<b>260,740</b>	<b>1,054,694</b>	<b>167,815</b>	<b>679,986</b>

## 18.2 Income tax payables

31 December 2020		31 December 2019	
USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)

Opening balance	290,502	1,183,796	358,559	1,450,371
Income tax expense	206,740	1,054,694	23,349	679,986
Income tax paid	(263,318)	(1,065,121)	(91,406)	(370,377)
Currency translation differences	-	(8,716)	-	(576,184)
	287,924	1,164,653	290,502	1,183,796

### 18.3 Deferred tax liabilities

The movements of deferred tax liabilities in respect of property, plant and equipment as well as intangible assets during the financial year are as follow:

	31 December 2020		31 December 2019	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Balance at 1 January	572,107	2,331,336	427,641	1,729,808
Recognised in profit or loss (Note 18.1)	-	-	144,466	585,376
Exchange differences	-	(17,163)	-	16,152
	572,107	2,314,173	572,107	2,331,336

### 18.4 Taxation contingencies

As at the reporting date, The Company has not yet received notification of any tax reassessment audit for the financial periods from 31 December 2014 to 2017.

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 tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

## 19 DIVIDENDS

	Dividend per share KHR	For the year ended 31 December 2020		Dividend per share KHR	For the year ended 31 December 2019	
		Amount of dividend KHR'000	USD		Amount of dividend KHR'000	USD

On 2 August 2019, the Board of Directors approved the declaration of dividend in respect of the year ended 31 December 2018 of KHR60 per share, amounting to a total dividend of KHR2,400 million (equivalent to USD600,000). The dividend was subsequently paid on 12 August 2019.

In this year, there is no dividend paid.

## 20 EARNINGS PER SHARE

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Profit attributable to ordinary equity holders	290,296	1,174,247	860,510	3,486,786

Weighted average number of shares in issue	40,000,000	40,000,000	40,000,000	40,000,000
Basic earnings per share	0.007	0.029	0.022	0.087
Diluted earnings per share	0.007	0.029	0.022	0.087

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 year end. As such, the diluted earnings per share is equivalent to the basic earnings per share.

## 21 Related party balance and transactions

The following balances are outstanding with the related parties:

Relationship			31 December 2020		31 December 2019	
			USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Amount due from QMI Industrial Co.,Ltd	Common control	Trade receivables	47,046,449	190,302,886	53,543,145	218,188,316
		Non-trade receivables	105,163	425,385	23,501	95,767
Quint Major Industrial Co.,Ltd.	Common control	Trade receivables	26,568	107,468	161,927	659,853
			47,178,180	190,835,739	53,728,573	218,943,936
Amounts due to Quint Major Industrial Co., Ltd	Common control	Trade payables	4,956,912	20,050,709	7,954,820	32,415,892
QMI Industrial Co., Ltd	Common control	Trade payables	1,872	7,572	2,832,549	11,542,637
			4,958,784	20,058,281	10,787,369	43,958,529

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 year:

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Common control <u>QMI Industrial Co.,Ltd</u>				
Sales	117,404,371	474,900,681	169,254,312	685,818,472
Purchases of raw materials	53,635,333	216,954,923	98,883,936	400,677,709
Purchases of machinery	425,301	1,720,344	2,319,925	9,400,336
Purchases fixed assets	3,701	14,972	12,143	49,202
Cash collection	48,243,359	195,144,385	61,535,026	249,339,925
Off-set with trade receivables	74,047,105	299,520,540	99,066,640	401,418,025
Off-set with trade payables	74,047,105	299,520,540	98,874,440	400,639,231
Payments on behalf for the Company	480,951	1,945,448	2,587,481	10,484,473
Payments on behalf by the Company	793,097	3,208,076	213,163	863,737
Advances to the Company	852,167	3,447,016	1,191,000	4,825,932
Repayment of advances by the Company	780,000	3,155,100	1,211,000	4,906,972

Quint Major Industrial Co., Ltd

Subcontract cost	14,459,041	58,486,819	16,239,575	65,802,758
Rental income	265,656	1,074,580	161,927	656,128
Repayment	17,456,949	70,613,357	14,970,000	60,658,440

## 22 Reconciliation of liabilities arising from financing activities

	1 January 2020	31 December 2020 Cash flows		31 December 2020	
	USD	Drawdown USD	Repayment USD	USD	KHR'000
Borrowings					
First Commercial Bank	6,400,000	13,830,000	(13,830,000)	6,400,000	25,888,000
Taiwan Cooperative Bank	2,242,988	-	(430,927)	1,812,061	7,329,787
	8,642,988	13,830,000	(14,260,927)	8,212,061	33,217,787

	1 January 2019	31 December 2019 Cash flows		31 December 2019	
	USD	Drawdown USD	Repayment USD	USD	KHR'000
Borrowings					
First Commercial Bank	4,400,000	13,960,000	(11,960,000)	6,400,000	26,080,000
Taiwan Cooperative Bank	2,616,927	-	(373,939)	2,242,988	9,140,176
	7,016,927	13,960,000	(12,333,939)	8,642,988	35,220,176

## 23 CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as amortised cost under CIFRS 9 and financial liabilities categorised as other liabilities measured at amortised cost:

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Financial assets				
Amortised cost				
Trade and other receivables*	47,073,017	190,410,354	53,705,072	218,848,169
Cash and cash equivalents	974,600	3,942,257	641,825	2,615,437
	48,047,617	194,352,611	54,346,897	221,463,606

\* Excludes VAT receivables and prepayments

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	USD	KHR'000 (Note 3.2)	USD	KHR'000 (Note 3.2)
Financial assets				
Amortised cost				
Trade and other payables**	9,537,538	38,579,341	15,257,096	62,172,666
Borrowings	8,212,061	33,217,787	8,642,988	35,220,176
	17,749,599	71,797,128	23,900,084	97,392,842

\*\* Excludes withholding tax payables

## 24 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

In the previous year, the key management's (i.e., Chairman, Chief Executive officer, Chief Finance Officer and directors) remuneration was amounted to USD81,200 (KHR 329,022,400).

There was no key management's remuneration paid or payable during the year.

## **25 COMMITMENTS**

At the end of the current financial year, the Company has commitments for capital expenditure in respect of the construction of a new research office building entered into with TACC (C.R) Ltd amounting to USD5,913,044 (31 December 2019: USD5,913,044). As of 31 December 2020, the construction of the building where the research office will be located is still in progress.

## **26 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 Board of Directors is 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 Board of Directors.

The main areas of financial risks faced by the Company and its policies in respect of the major areas of treasury activities are set out below:

### **26.1 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 the Management.

#### Receivables

The net carrying amount of receivables is considered a reasonable approximation of fair value.

The Company applies the CIFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, the trade receivables have been assessed individually by benchmarking the risk characteristics of customers to external rating as published by international credit rating agency, and the corresponding default rates are being used to compute ECL.

The Company believes that no impairment allowance is necessary in respect of its trade receivables because they are related parties with a positive financial position.

#### Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable local banks.

### **26.2 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.

The maturity analysis for financial liabilities that shows the remaining contractual maturities based on undiscounted cash flows is as follows:

	On demand or within one year	One to five years	Over five years	Total	
	USD	USD	USD	USD	KHR'000
31 December 2020					
Borrowings	8,472,875	-	-	8,472,875	34,272,779
Trade and other payables	8,727,538	810,000	-	9,537,538	38,579,341
	17,200,413	810,000	-	18,010,413	72,852,120

	On demand or within one year	One to five years	Over five years	Total	
	USD	USD	USD	USD	KHR'000
31 December 2019					
Borrowings	8,953,009	-	-	8,953,009	36,483,512
Trade and other payables	14,087,096	1,170,000	-	15,257,096	62,172,666
	23,040,105	1,170,000	-	24,210,105	98,656,178

### 26.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument of the Company would fluctuate because of changes in market exchange rates.

The exposure of the Company to interest rate risk arises primarily from loans and 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.

#### Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Company if interest rates at the end of reporting period changed by 10 basis points with all other variables held constant:

	For the year ended 31 December 2020		For the year ended 31 December 2019	
	USD	KHR'000	USD	KHR'000
	(Note 3.2)		(Note 3.2)	
Profit net of tax				
- Increased by 1% (2019: 1%)	(65,696)	(265,742)	(69,144)	(281,761)
- Decreased by 1% (2019: 1%)	65,696	265,742	69,144	281,761
Profit net of tax				

### 26.4 Foreign currency risk

The foreign currency exchange risk of the Company arises from the transactions denominated in foreign currencies.

During the year ended 31 December 2019, the Company's exposure to risk normally from changes in foreign currency exchange rates is minimal as most of its transactions are conducted in USD.

## **27 CAPITAL MANAGEMENT**

The primary objective of the Company's capital management is to ensure that the Company would be able to continue as a going concern whilst maximising the return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Company remains unchanged from that in the previous financial year.

The Company manages its capital structure and makes adjustments to it, in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the dividend payments to shareholders, return of capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2020.

The Company monitors and maintains a prudent level of total debts and to ensure compliance with any externally imposed capital requirements.

## **28 FAIR VALUE MEASUREMENT**

### **28.1 Methods and assumptions used to estimate fair value**

The fair values of financial assets and financial liabilities are determined as follows:

- (i) Financial instruments that are not carried at fair value and whose carrying amounts are a reasonable approximation of fair value.

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of their fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

- (ii) Non-current payable

The fair value of this financial instruments is estimated by discounting expected future cash flows at market incremental leading rate for similar types of instrument at the end of the reporting period.

## **29 EVENTS AFTER THE REPORTING DATE**

No adjusting or significant non-adjusting events have occurred between the 31 December 2020 reporting date and the date of authorisation of these financial statements, except as disclosed in Note 30.

## **30 IMPACT OF COVID-19**

The impact of Coronavirus ("COVID-19") pandemic has spread across various geographic globally. On 30 January 2020, the World Health Organization ("WHO") declared an international health emergency due to the outbreak of COVID-19 virus. Since 11 March 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:-

- (h) Expected credit losses
- (i) 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 31 December

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 arise 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 FINANCIAL STATEMENTS**

The financial statements as at and for the year ended 31 December 2020 were approved for issue by the Board of Directors on 30 March 2021.



## **7. INFORMATION ON RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST**

## INFORMATION ON RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

### 1. Material transactions with the shareholders who hold at least 5% or more shares of outstanding equity securities

#### Long term lease with Mr. Yang Shaw Shin

Mr. Yang Shaw-Shin is our shareholder and the Company's Chairman, Cambodian, holding ID card no. 010035849 dated 25 July 2001/passport no. N0579616 dated 6 March 2008 and residing at No. 102, Street 592, Sangkat Boeung Kok 2, Khan Tuol Kork, Phnom Penh, Cambodia.

This is the long-term lease of a piece of land for the purpose as the Company's production factory and operation site. This lease agreement was entered into on the 10 September 2012 by and between Mr. Yang Shaw Shin one of our direct shareholders holding a Cambodian ID card no. 010035849 as the Lessor and our Company as the Lessee.

According to the agreement, the leased property is a piece of land having an approximate size of 32,341 (thirty two thousand three hundred and forty one) square meters, located at Trorpaing Por Village, Sangkat Choam Chao, Khan Porsenchey, Phnom Penh City, under two land titles: (1) No. PP 00077 dated 05th of March 1997 and (2) No. PP 00525 dated 26th of December 1997 registered under the name of Mr. Yang Shaw Shin.

This lease has an initial term of fifty years, renewable without prior notice, counting from 31st March 2012 until 30th of March 2062. The total lease price is at KHR15, 520,200,000 Riels (US\$3,880,000) for the entire initial term of the lease. The rental fee for the extended term shall be one United State Dollar. Upon the signing of the lease, the total lease price has been fully paid to the Lessor in form of contribution in kind to the capital of our Company.

According to the lease, the Lessee has the right over the land and right to assign, transfer or sublet the land in whole or in part. Under Clause nine of the lease, the Lessor in consideration for the lease price grants to the Lessee an option to purchase the land at the price of one United State Dollar. The Lessee may exercise this option to purchase at any time during the term or extended term of the lease, and in accordance with applicable law.

### 2. Material transaction with the directors and senior officers

As at 31 December 2020, material transactions of the Company with directors or senior officers or persons whereby directors or senior officers of the Company have interest include:

Mr. Yang Shaw Shin, being one of our directors and shareholders have both provided their personal guarantees to jointly and severally secure the following bank loans:

No.	Bank/Financier	Type of Facility	Amount In USD	Guarantor	Collateral
1	FIRST COMMERCIAL BANK, Phnom Penh Branch	Secured short term loan dated from 28 September 2016	6,400,000	Mr. Yang Shaw Shin	Land title no. 12055010119 dated 09 April 2013
2	Taiwan Cooperative Bank	Secured long term loan (84 months) from 06 November 2017	3,000,000	Mr. Yang Shaw Shin	Land title no. PP 005315 (Ixii0019/210909080001) and 005366 ((Ixii0020/210909080002)

Mr. Yang Shaw Shin have both executed a Letter of Guarantee dated 28 June 2016 (herein referred to as the "Letter of Guarantee") in order to provide personal guarantees to secure a Short Term Loan of an amount of US\$6.4 Million borrowed by our Company for a period of one (01) year from FIRST COMMERCIAL BANK, PHNOM PENH BRANCH (herein referred to as the "Bank") as per Loan Agreement dated 20 of April 2015 (hereinafter referred to as the "Loan Agreement").

On 6 July 2018, they both extended the guarantee to secure another Short Term Loan borrowed by our Company from the same Bank for a period of one year as evidenced by the Application For Credit Business Loan dated 6 of November 2020 and the Commitment Letter dated 02nd of December 2011.

According to the Letter of Guarantee, Mr. Yang Shaw Shin guarantee the full and punctual payment by our Company of any sums due under the Loan Agreement for all indebtedness, obligations and liabilities of our Company; and undertake to pay the Bank the outstanding principal amount together with accrued interest, expenses and fees as required under the Loan Agreement within five days upon the Bank's demand in writing.

**3. Material transactions with immediate family members of the directors, senior officers and the shareholders who hold at least 5% or more shares**

Family members (include: husband, wife, children, parents, brothers or sisters) of directors or senior officers or shareholders holding at least 5% of the Company's outstanding shares.

As at 31 December 2020, there are no such transactions with family members of directors, senior officers or shareholders holding at least 5% of the outstanding shares.

**4. Material transactions with the person who associated with the directors of the Company, its subsidiary or the holding company**

Material transactions with persons who have relationship with directors of the Company, its subsidiary or holding company where relationship occurred in the transaction or any arrangement with the company include:

**Transaction with QMI Industrial Co., Ltd (Taiwan)**

For 2020 as at 31 December 2020, our customer orders have been filed through QMI Industrial Co., Ltd (Taiwan) (the detailed transaction is prescribed Section 6 of this annual report).

**5. Material transactions with former directors or a person who involved with former directors during the last one year**

For 2020 as at 31 December 2020, there are no such material transactions with former directors or a person who involved with former directors during the last one year.

**6. Material transactions with former directors who is holding any position in a non-profit organization or in any other company other than the Company**

For 2020 as at 31 December 2020, there are no such material transactions with any directors holding any position in an association or non-profit organization or other companies.

**7. Material transactions with other parties**

For 2020 as at 31 December 2020, there are no further material transactions with other third parties other than the transactions as prescribed Section 6 of this annual report.

## **8. MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITION OF GRAND TWINS**

## MANAGEMENT DISCUSSION AND ANALYSIS ON FINANCIAL CONDITION

### *a. Overview of the Company's operations*

The accompanying condensed interim statement of financial position as at 31<sup>st</sup> December 2020, is prepared in accordance Cambodian Accounting Standards ("CCC"). The accounting policy adopted may differ from the general accounting policy that used in other countries or jurisdictions. Therefore, the accompanying financial statements do not intend to disclose the financial position, comprehensive income and cash flows in accordance with any jurisdiction other than Cambodia.

### *i. Revenue analysis*

Grand Twins revenue in the 2020 as at 31<sup>st</sup> December 2020, amounted to KHR482,099 Millions (USD 119.184 Millions). This revenue has decreased KHR203,720 Millions (USD50.070 Millions) presented 29.70% declined by compared to total revenue KHR 688,818 Millions (USD169.254 Millions) in 2019 as at 31<sup>st</sup> December 2019. Therefore the revenue of 2019 as at 31<sup>st</sup> December 2019, is KHR 688,818 Millions (USD169.254 Millions); increased by KHR203,064 Millions (USD49.908 Millions) presented at 42.06% by compared to the total revenue of 2018 as at 31<sup>st</sup> December 2018, which amounted for KHR482,755 Millions (USD119.346 Millions).

According to the World Bank, global GDP will grow by 3.9% in 2019 and expected by 4.5% by 2020. Therefore, Europe GDP was 11.9% and US GDP was 2.5% in 2019, which is a slight increase compared to previous years. These two main areas are Grand Twins' main sales areas, especially the impact of low GDP growth in Europe will also affect Grand Twins in 2020.

In January 2020, a new policy on average salary for garment workers was USD190 had taken to effective from 1st Jan 2020 for all garment factories in Cambodia. Grand Twins' expenditures will be also increased. The increasing of worker average wage has been steadily rising in recent years.

The total revenue of 2020 as at 31<sup>st</sup> December 2020, Grand Twins had generated total revenue of KHR482,099 Millions (USD 119.184 Millions) in which the Company had generated the revenue derived from sale of product of KHR474,901 Millions (USD117.404 Millions), the revenue derived from subcontract of KHR7,123 Millions (USD1.761 Millions) and the revenue derived from CMP of KHR76 Millions (USD18,698).

Revenue from sale of products in 2020 as at 31<sup>st</sup> December 2020 amounted KHR474,901 Millions (USD117.404 Millions), that has decreased in KHR210,918 Millions (USD51.850 Millions) presented 30.75% declined by compared to total revenue KHR685,818 Millions (USD169.254 Millions) in 2019 as at 31<sup>st</sup> December 2019. Therefore the revenue from sale of products for 2019 as at 31<sup>st</sup> December 2019 is KHR685,818 Millions (USD169.254 Millions), which was increased by KHR206,435 Millions (USD50.741 Millions) presented at 43.06% by compared to the total revenue of 2018 as at 31<sup>st</sup> December 2018 which amounted for KHR479,384 Millions (USD118.513 Millions).

Grand Twins had generated the revenue derived from subcontract in 2020 as at 31<sup>st</sup> December 2020 amounted KHR7,123 Millions (USD1.761 Millions). The Company had not generated the revenue derived from subcontract in 2019, neither in 2018.

We had generated the revenue derived from CMP in 2020 as at 31<sup>st</sup> December 2020 amounted KHR76 Millions (USD18,698) and KHR3,371 Millions (USD833,291) in 2018 as at 31<sup>st</sup> December 2018. We had not generated the revenue derived from CMP in 2019 as at 31<sup>st</sup> December 2019.

Our revenue is mainly derived from the production and sales of clothing. products sold are not returnable unless there is quality issues.If our products do not meet the stipulated quality standard, customers may return the products to us for rectification and/or replacement Orders may not be cancelled except with all parties' agreement They are however subject to deferral or rescheduling by customers. We have not experienced any material product quality issues or cancellation of orders from customers.

In general, we do not have long-term contracts for orders from our customers. Rather, we typically enter into framework agreements with our customers. These framework agreements are generally for a term of three months. Such framework agreements typically contain, inter alia, an agreed upon minimum sales value, the selected designs and the agreed prices. Our customers will from time to time place orders with us depending on their need. Such orders will include specific details such as selected designs, quantity, colors, sizes and delivery dates, with the prices based on the framework contract

Company measure revenue as the fair value of the consideration received or receivable, net of discount and rebates. Company recognize revenue to extent that it is probable that the economic benefits associated with any transaction will flow to the company and the amount of revenue and the cost incurred or to be incurred in respect of such transaction can be reliably measured and specific recognition criteria have been met for each of company activities as follow:

### ***Sale of goods***

Revenue from sale of goods is recognized when significant risk and rewards of ownership of goods has been transferred to the customer and where we retain no continuing managerial involvement over such goods. This typically coincides with the delivery of the goods to, and acceptance of the goods by, our customers.

### ***Services***

Revenue from sale of goods is recognized when significant risk and rewards of ownership of goods has been transferred to the customer and where we retain no continuing managerial involvement over such goods. This typically coincides with the delivery of the goods to, and acceptance of the goods by, our customers

**ii. Revenue Analysis by segment**

Revenue by segment of 2020 as at 31 December 2020, 2019 as at 31 December 2019 and 2018 as at 31 December 2018 is as set forth in the table below:

Description	31 <sup>st</sup> December 2020		31 <sup>st</sup> December 2019		31 <sup>st</sup> December 2018	
	KHR'000	USD	KHR'000	USD	KHR'000	USD
Sale of products	474,900,681	117,404,371	685,818,472	169,254,312	479,383,936	118,512,716
Subcontract	7,122,549	1,760,828	-	-	-	-
CMP	75,633	18,698	-	-	3,370,662	833,291
<b>Total revenue</b>	<b>482,098,863</b>	<b>119,183,897</b>	<b>685,818,472</b>	<b>169,254,312</b>	<b>482,754,598</b>	<b>119,346,007</b>

Our revenue consists of revenue from the sale of products, subcontract and CMP. In the the 4<sup>th</sup> quarter of 2020, the revenue from sale of products accounted for almost 98.51 % total revenue. Subcontract and CMP revenue contribute only immaterial amounts to our total revenue. Consequently, any material changes in sales and revenue are due to changes in revenue from the sale of products. Revenue from the sale of goods depends on the volume of clothing items that we produce and sell, and is discussed in greater detail in below.

**a. Revenue from the sale of products**

The revenue from sales of products in 2020 as at 31<sup>st</sup> December 2020, is KHR474,901 Millions (USD117.404 Millions) presenting to 30.75% of the total revenue of 2020, that has decreased in KHR210,918 Millions (USD51.850 Millions) declined by compared to total revenue KHR685,818 Millions (USD169.254 Millions) presenting to 100% of the total revenue in 2019 as at 31<sup>st</sup> December 2019. In contrast, the revenue in 2019 as at 31<sup>st</sup> December 2019 is KHR685,818 Millions (USD169.254 Millions) presenting to 100% of the total revenue in 2019, which was increased by KHR206,435 Millions (USD50.741 Millions) presented at 43.06% by compared to the total revenue of 2018 as at 31<sup>st</sup> December 2018 which amounted for KHR479,384 Millions (USD118.513 Millions) presenting to 99.30% of the total revenue in 2018. Such increasing due to increase of the order from our customers.

**b. Subcontract Revenue**

Subcontract revenue consists of revenue that earn by providing cutting and sewing services to other factories once there is an excess of factory's capacity. Grand Twins had generated the revenue derived from subcontract in 2020 as at 31<sup>st</sup> December 2020 amounted KHR7,123 Millions (USD1.761 Millions) presenting to 1.48% of the total revenue in 2020. The Company had not generated the revenue derived from subcontract in 2019, neither in 2018.

### C. CMP Revenue

CMP revenue consists of revenue that we earn by cutting, sewing and trimming service in Cambodia. Grand Twins had not generated the revenue derived from CMP in 2020 as at 31<sup>st</sup> December 2020.) amounted KHR76 Millions (USD18,698) presenting to 0.02% of the total revenue in 2020 and KHR3,371 Millions (USD833,291) in 2018 as at 31<sup>st</sup> December 2018 presenting to 0.70% of the total revenue in 2028. We had not generated the revenue derived from CMP in 2019 as at 31<sup>st</sup> December 2019.

#### iii. Gross Profit Margin Analysis

Our gross profit is our revenue minus cost of sales. Gross profit margin is our gross profit divided by revenue. Profit margin was KHR26,154 Millions (USD6,466 Millions) in 2020 as at 31<sup>st</sup> December 2020, which is decreased in KHR19,705 Millions (USD4,852 Millions) or 42.97% compared to gross profit margin of KHR45,859 Millions (USD11.318 Millions) in 2019 as at 31<sup>st</sup> December 2019. In contrast, the gross profit margin in 2019 as at 31<sup>st</sup> December 2019, which was KHR45,859 Millions (USD11.318 Millions) presented by increased in KHR12,106 Millions (USD2.973) or 35.87% by compared to gross profit margin in KHR33,753 Millions (USD8.344 Millions) in 2018 as at 31<sup>st</sup> December 2018. As described above, since there was a decline in revenue from sale of products and subcontract and revenue from CMP which had caused to declined in gross profit margin.

##### a. Revenue

The revenue in 2020 as at 31<sup>st</sup> December 2020, is KHR482,099 Millions (USD 119.184 Millions). This revenue has decreased KHR203,720 Millions (USD50.070 Millions) presented 29.70% declined by compared to total revenue KHR 688,818 Millions (USD169.254 Millions) in 2019 as at 31<sup>st</sup> December 2019. Therefore the revenue of 2019 as at 31<sup>st</sup> December 2019, is KHR 688,818 Millions (USD169.254 Millions); increased by KHR203,064 Millions (USD49.908 Millions) presented at 42.06% by compared to the total revenue of 2018 as at 31<sup>st</sup> December 2018, which amounted for KHR482,755 Millions (USD119.346 Millions).

##### b. Cost of products

The cost of products in the 4<sup>th</sup> quarter of 2020 as at 31<sup>st</sup> December 2020, the 4<sup>th</sup> quarter of 2019 as at 31<sup>st</sup> December 2019 and the 4<sup>th</sup> quarter of 2018 as at 31<sup>st</sup> December 2018 as set forth in the table below:

Description	As at 31 <sup>st</sup> December 2020		As at 31 <sup>st</sup> December 2019		As at 31 <sup>st</sup> December 2018	
	KHR'000	USD	KHR'000	USD	KHR'000	USD
Direct	314,626,070	77,781,476	447,354,228	110,403,314	322,926,208	79,833,426
Direct Labor	35,743,845	8,836,550	58,134,846	14,347,198	49,794,403	12,310,112
Overhead	105,574,828	26,100,081	134,470,475	33,186,198	76,281,302	18,858,17
<b>Total</b>	<b>455,944,743</b>	<b>112,718,107</b>	<b>639,959,549</b>	<b>157,936,710</b>	<b>449,001,913</b>	<b>111,001,709</b>

Our cost of sales consists of direct material costs, direct labor costs and direct overhead. Direct material costs consist of cost of our raw materials, such as fabric, that become part of the final products we produce. Direct labor costs consist of the costs of our employees who are directly involved in the production of our goods. Direct overhead consists of all other costs associated with indirect labor, the production and sale of goods. Such costs include, among others, cost associated with electricity, janitorial, cleaning services, security services, indirect labor, depreciation, sub contract cost import expense.

Our cost of sales was KHR455,945 Millions (USD112,718 Millions) in 2020 as at 31<sup>st</sup> December 2020, the cost of sale decreased in KHR184,015 Millions (USD45.219 Millions) or 28.75% compared to total cost of products of KHR639,960 Millions (USD157.937 Millions) as in 2019 as at 31<sup>st</sup> December 2019. In contrast, cost of sale in 2019 as at 31<sup>st</sup> December 2019 was KHR639,960 Millions (USD157.937 Millions) increased in KHR190,958 Millions (USD46.935 Millions ) or 42.53% by compared to KHR449,002 Millions



(USD111.002 Millions) as in 2018 as at 31<sup>st</sup> December 2018. The increasing is due to the increase in direct material and overhead for the production.

Cost of raw material decreased in KHR132.728 Millions (USD32.622 Millions) or 29.67% from KHR447,354 Millions (USD110.403 Millions) as in 2019 to KHR314,626 Millions (USD77.781 Millions) in the 2020. In contrast, the cost of raw material was increased KHR124,428 Millions (USD30.570 Millions) or 38.53% from KHR322,926 Millions (USD79.833 Millions) in 2018 which increased to KHR447,354 Millions (USD110.403 Millions) in 2019. This increase in particular at the same time of increased in purchase order.

Direct labor cost was increased KHR22,391 Millions (USD5.511 Million) or 38.52%, from KHR58,135 Millions (USD14.347 Millions) in 2019 to KHR35,744 Millions (USD8,837 Millions) in 2020. Therefore, the direct labor cost which increased in KHR8,340 Millions (USD2.037 Millions) or 16,75%, respectively from KHR49,794 Millions (USD12.310 Millions ) in 2018 to KHR58,135 Millions (USD14.347 Millions) in 2019. This increased was caused by the increase in worker minimum wage.

Overhead was slightly decreased in KHR28,896 Millions (USD7.086 Millions) or 21.49% which is from KHR134,470 Millions (USD33.186 Millions) in 2019 to KHR105,575 Millions (USD26.100 Millions) as in 2020. Moreover, the increasing in KHR58,189 Millions (USD14.328 Millions) or 76.28% which was from KHR18,858 Millions (USD18.858 Millions) as in 2019.

#### **iv. Profit before tax Analysis**

Profit before tax is our gross profit margin plus other income, minus distribution costs, administrative expenses, other expenses and finance cost.

In 2020 as at 31 December 2020, the profit before tax was KHR2,229 Millions (USD551,936) was decreased in KHR1,983 Millions (USD477,289), approximately 46.51% compared to profit before tax of KHR4,167 Million (USD1.028 Millions) in 2019. The decreased was due to the increased in direct labor cost and overhead. Moreover, in 2019 as at 31<sup>st</sup> December 2019 the profit before tax was KHR4,167 Million (USD1.028 Millions) which was decreased in KHR3.073 (USD761.535) or 42.45% as compared to the profit before tax of KHR 7,240 Millions (USD1.790 Millions) in 2018. The increased was due to the increasing in sale volume that had caused to increased in profit margin.

#### **a. Elements of profit before tax**

The gross profit margin in 2020 as at 31<sup>st</sup> December 2020, in 2019 as at 31<sup>st</sup> December 2019 and in 2018 as at 31<sup>st</sup> December 2018 was discussed in above section.

#### **b. Other income**

Other income consist of various sources such as interest income from saving and access control ease accounts, sales of wastes, proceeds from disposal of fixed assets and other non-operating incomes. The Company has other income in KHR1,507 Millions (USD372,679) in 2020 and KHR1,106 Millions (USD272,987) was in 2019 and KHR446 Millions (USD11,157) in 2018.

#### **c. Distribution costs**

Distribution costs consist of the cost of shipping finished products to customers. Distribution costs in 2020 as at 31<sup>st</sup> December 2020 was KHR7,371 Millions (USD1.822 Millions), was decreased in KHR15,577 Millions (USD3.841 Million) or 67.88% compared to distribution cost of KHR22,948 Millions (USD5.663 Millions) in 2019 as at 31<sup>st</sup> December 2019. Moreover, the distribution cost in 2019 as at 31<sup>st</sup> December 2019 was KHR22,948 Millions (USD5.663 Millions), that was increased in KHR13,234 Millions (USD3.262 Millions) or 136.24% compared to distribution cost of KHR9.714 Millions (USD2.401 Millions) in 2018 as at 31<sup>st</sup> December 2018. This increasing was due to the increase in product volume transport to customers.

#### **d. Administrative Expenses**

Administrative expenses are as set forth in the table below, and consist primarily of personnel costs, research and development costs, other expenses and depreciation. Research and development costs include the costs of personnel and machinery dedicated to working with our partner and its customers to introduce new products to our production lines.

In 2020 as at 31<sup>st</sup> December 2020, administrative cost was KHR15,960 Millions (USD3.945 Millions), the expenses has decreased in KHR1,684 Millions (USD403,772) or 9.54% compared to administrative expenses KHR22,948 Millions (USD5.663 Millions) in 2019 as at 31<sup>st</sup> December 2019. In contrast in 2019 as at 31<sup>st</sup> December 2019, the administrative expense was KHR4,378 Millions (USD1.080 Millions) was increased KHR2,195 Millions (USD535,032) or 14.21% compared to KHR15,449 Millions (USD3.819 Millions) in 2018 as at 31<sup>st</sup> December 2018. The increased of administrative expense was primary dued to company has continued investment on productive capacity to effort coat products that company would spend on work skill and training. Therefore, salary expenses was also increased since company has expand employment to correspondance to customer purchahse order.

Items	31 December 2020		31 December 2019		31 December 2018	
	KHR "000"	USD	KHR "000"	USD	KHR "000"	USD
Research and development costs	6,798,489	1,680,714	7,755,670	1,914,035	5,997,360	1,482,660
Personnel costs	6,145,075	1,519,178	6,904,203	1,703,900	6,391,363	1,580,065
Stationeries	298,828	73,876	420,748	103,837	308,682	76,312
Depreciation	52,138	210,898	406,217	100,251	399,444	98,750
Professional service fees	846,153	209,185	318,317	78,558	389,327	96,249
Tax and other expenses	318,572	78,757	220,198	54,343	220,667	54,553
Traveling	127,450	31,508	148,295	36,598	118,919	29,399
Repairs and maintenance	95,571	23,627	141,812	34,998	210,033	51,924
Postage and stamp	113,507	28,061	132,423	32,681	123,045	30,419
Property insurance	127,114	31,425	96,434	23,799	154,588	38,217
Equipment rental*	71,475	17,670	68,803	16,980	61,322	15,160
Donation	4,854	1,200	40,520	10,000	599	148
Entertainment	9,704	2,399	25,568	6,310	33,161	8,198
Utilities	16,989	4,200	17,018	4,200	14,967	3,700
Others	191,681	775,350	947,766	233,901	1,025,830	253,605
<b>Total</b>	<b>15,960,029</b>	<b>3,945,619</b>	<b>17,643,992</b>	<b>4,354,391</b>	<b>15,449,307</b>	<b>3,819,359</b>

#### **e. Other expenses**

Other expenses represent loss arising from reduction in selling prices of wrong products either in size or colors. Other expense was KHR435 Millions (USD107,424) in 2020 as at 31<sup>st</sup> December 2020. This expesne has decreased in KHR61 Millions (USD15,238) or 14,04% compared to other expenses of KHR374 Millions (USD92,2186) in 2019 at 31<sup>st</sup> December 2019. Therefore, other expenses in 2019 at 31<sup>st</sup> December 2019 was KHR374 Millions (USD92,2186), which was increased in KHR102 Millions (USD25,473) or 87.03% comparing to KHR476 Millions (USD117,659) in 2018 as at 31<sup>st</sup> December 2018. Thus, other expresses represent an immaterial portion of our operating expenses

#### **f. Finance Cost**

Finance cost consists of interest paid on our outstanding indebtedness. Financial cost was approximately KHR1,674 Millions (USD413,814) in 2020 as at 31<sup>st</sup> December 2020 and KHR1,840 Millions (USD454,127) in 2019 as at 31<sup>st</sup> December 2019 and KHR1,325 Millions (USD327,523) in 2018 as at 31<sup>st</sup> December 2018.

## v. *Profit after tax*

Profit after tax is derived from profit before tax minus income tax expense. In 2020 as at 31<sup>st</sup> December 2020, the Company's profit before tax was KHR2,229 Millions (USD 551,036) and income tax expense was KHR1,055 Millions (USD260,740) and profit after tax in 2020 was KHR1,174 Millions (USD290,296). The profit after tax was decreased KHR2,313 Millions (USD570,214) presenting to 66.32% with comparing to The profit after tax in 2019 as at 31<sup>st</sup> December 2019, which was KHR3,487 Millions (USD860,510).

Moreover, the profit after tax in 2019 as at 31<sup>st</sup> December 2019, profit before tax KHR was KHR4,167 Millions (USD1.028 Millions) and income tax expense was KHR680 Millions (USD167,815). As so, the profit after tax was KHR3,487 Millions (USD860,510), it was increased KHR2,302 Millions (USD570,812) or 39.78% comparing to profit after tax of KHR5,790 Millions (USD1.431 Millions) in 2018. It was due to the increased in material cost and distribution cost.

## vi. *Factors and Trends Analysis Affecting Financial Condition and Results*

### *Revenue*

Grand Twins generates revenue from export products to over the world. Revenue from export product to USA 16% of total revenue in 2020, exported to EU 29% and to asia countries 54% and 1 % to other countries.

Revenue in 2020, has decreased 29.70% which from KHR482,099 Millions (USD 119.184 Millions). This revenue has decreased KHR203,720 Millions (USD50.070 Millions) declined by compared to total revenue KHR 688,818 Millions (USD169.254 Millions) in 2019 as at 31st December 2019. In contrast, The revenue was increased 42.06% from KHR 482,755 Millions (USD119,346 Millions) in 2018 to KHR685,818 Millions (USD169,254 Millions) in 2019. In the last three years after the listing, the Company's revenue increased, with four main sources:

- **Factor 1:** Overseas garment customers diverted orders from the People's Republic of China to the Kingdom of Cambodia in response to the increase in salaries in the People's Republic of China. For example, in the People's Republic of China, the average salary of a garment factory worker is \$ 550, while the average salary of a garment worker in the Kingdom of Cambodia is \$ 190 (plus dividends) as of 2020.
- **Factor 2:** In 2010, we started to produce and sell winter clothes. This product not only gives Grand Twin a high profit margin, but also makes the company more attractive to foreign customers.
- **Factor 3:** With preferential tariffs from the EU market to the Kingdom of Cambodia, which attracts orders from EU customers.
- **Factor 4:** Adidas is Grand Twin's largest customer, with large orders from the company in recent years. Sales revenue for Adidas accounts for about 90% of Grand Twins' total revenue.

In particular, for the last year, that is, in 2020, the revenue of Grand Twin has decreased, while the expenses have also increased significantly compared to previous years. Increased costs include:

- **Factor 1:** Consumers in the garment sector abroad have diverted orders from the Kingdom of Cambodia to neighboring countries, including Vietnam, Bangladesh, etc., due to the increase in salaries in the Kingdom of Cambodia in recent years. For example, the average salary of a garment factory worker in the Kingdom of Cambodia is US \$ 61, and the average salary has increased to US \$ 100. In 2015, the average salary increased by 28%, from 100 US dollars to 128 US dollars. In fact, direct labor costs increased by about \$ 5.323 million in 2015. The average salary increase continues in 2016. The average salary increased to \$ 140, \$ 182 in 2019 and \$ 190 in 2020.

- **Factor 2:** The average product price decreased by US \$ 0.45 per set, resulting in the average product price decreased from US \$ 8.79 million in 2014 to US \$ 8.34 million. US dollars in 2015. Rising prices for printing and embroidery are also a major factor affecting the company's revenue.
- **Factor 3:** The effects of the Coronavirus ("Kovid-19" virus) epidemic spread across different geographies around the world. On January 30, 2020, the World Health Organization (WHO) declared an international health emergency due to the outbreak of Kovid-19 virus. Since March 11, 2020, the World Health Organization has defined the spread of COVID-19 as a global pandemic.

### ***Selling Price***

Our selling prices are typically based on a model of cost, plus a margin set by our customers. Our customers' retail selling prices are based on prevailing market demand and supply conditions, particularly the market recognition and strength of our customers' brand.

Grand Twins has manufactured over 3,000 designs in 2020. For Jacket, we sold a significant amount at approximately USD 50 each in 2020. For sport suits, we sold a significant amount at approximately USD20-30 each in 2020. For shorts, we sold a significant amount at approximately USD 5-10 each in 2020. The selling price is stable in 2020.

A detailed account of the risk factors affecting our business activities are set out in condensed interim financial report . The main factors affecting revenue are:

- Ability to compete effectively with existing or new competitors in the future, given the highly competitive industry we operate in and the lack of any strong barriers to entry for new competitors to enter the market;
- our customers' ability to continue to develop products with mass appeal and successfully meet fast changing fashion and market trends so that our products remain commercially viable;
- our dependence on Adidas and Reebok, as any adverse impact on the image of either brand adversely affect our business, financial condition and operating results;
- the possibility that import restrictions may be imposed on our products in the countries where our products are sold, as our revenue would be adversely affected by such restrictions.

### ***g. Significant factors affecting the Company's profit***

#### ***1. Demand and supply conditions analysis***

The Company's revenue was declined 29.70% in 2020 comparing to the total revenue in 2019, it primary dued to the decrease in client purchase order. In contrast, the revenue was increased 42.06% in 2019 comapring to the total revenue in 2018 that was caused from the increased in purchase order. In 2020, the revenue was lower than previous quarters, the purchase order volumn was reduce and had caused to gross profit amounted in KHR26,154 Millions (USD6.466 Millions) in 2020, which had declined in KHR19,705 Millions (USD4.842 Millions) or 42.97% compareing to profit margin of KHR45,859 Millions (USD11.318 Millions) in 2019 as at 31<sup>st</sup> December 2019.

Therefore, gross profit margin KHR45,859 Millions (USD11.318 Millions) in 2019 as at 31<sup>st</sup> December 2019, was increased in KHR12,106 Millions (USD11.318) or 42.06% compared to profit margin of KHR33,753 Millions (USD8.344 Millions) as in 2018 as at 31<sup>st</sup> December 2018. We have no significant issues with securing an adequate supply of raw materials at reasonable prices, and thus we expect to be able to continue to meet growing customer demand for our products.

#### ***2. Fluctucations in Prices of Raw Material Analysis***

For the past three years, the change in price of the company's raw material has been minimal and has not had a material effect on the financial performance. Company does not anticipate significant change in price of raw materials in the future, and company not expect any such fluctuation in price, should they occur to have any effect on financial performance.

### **3. Tax Analysis**

Income tax is included all taxes on taxable profit.

#### ***Current Tax***

Current tax is the amount of income taxes payable or receivable in respect of the taxable profit or loss for a period. Current taxes for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted by the end of the reporting period.

#### ***Deferred Tax***

Deferred tax is recognized in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in our statement of financial position and its tax base. Deferred tax is recognized for all temporary differences, unless the deferred tax arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction affects neither accounting profit nor taxable profit.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised, the carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits will be available to allow the benefit of part or all of that deferred tax asset to be utilized, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profits will be available, such reductions will be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes related to the same taxation authority on either (i) The same taxable entity; or (ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to relies the assets and settle the liabilities simultaneously, in each future period in which significant amount of deferred liabilities or assets are expected to be settled or recovered.

Deferred tax will be recognized as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply for the year when the asset is realized or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Grand Twins reported profit in year ended 2008, the trigger period ended immediately and the Company then had 4 years of exemption, from 2008-2011. Consequently, we expect to pay a tax on profit (ToP) of a normal rate of 20% in 2012.

Fortunately, as the Company is going to list in the second half of 2013, a tax deduction of 10% will be provided from 2014 to 2016 where the ToP sets to be 20%. From 2017, the normal rate of ToP will be applied.

### **4. Exceptional and extraordinary items and analysis**



There were no exceptional or extraordinary items that affected any of our assets, liabilities, equity, net income or cash flows in the 4<sup>th</sup> quarter of 2020 as at 31<sup>st</sup> December 2020.

#### ***h. Material Changes in Sale and Revenue***

Our revenue was KHR482,099 Millions (USD119,184 Millions) in 2020 as at 31<sup>st</sup> December 2020, the revenue approximately decreased 29.70% compared to total revenue KHR685,818 Millions (USD169,254 Millions) in 2019, as at 31<sup>st</sup> December 2019. Moreover, the revenue of KHR685,818 Millions (USD169,254 Millions) in 2019, as at 31<sup>st</sup> December 2019 was increased in 42.06% compared to total revenue of KHR 482,755 Millions (USD119.346 Millions) in 2018, as at 31<sup>st</sup> December 2018.

Our revenue consists of revenue from the sale of products, subcontract and CMP revenue. In 2020, we has generated in revenue KHR482,099 Millions (USD119,184 Millions), that sale of products accounted for KHR474,901 Millions (USD117.404 Millions), the revenue derived from subcontract of KHR7,123 Millions (USD1.761 Millions) and the revenue derived from CMP of KHR76 Millions (USD18,698).

Revenue from sale of products presented to 98.51% of total revenue, amounted in KHR482,099 Millions (USD119,184 Millions) in 2020 as at 31<sup>st</sup> December 2020. Subcontract revenue and CMP revenue contribute only immaterial amounts to our total revenue. Consequently, any material changes in sales and revenue are due to changes in revenue from the sale of goods. Revenue from the sale of goods depends on the volume of clothing items that we produce and sell, and is discussed in “ Selling Price”.

#### ***i. Impact of foreign exchange/interest rates/commodity prices***

##### ***Impact of foreign exchange***

Our revenue is principally earned in US dollars. Our expenditure is principally paid in US dollars and KHR We do not enter into currency hedging transactions, as we believe that the cost of such hedging is not justified by our limited expose to any adverse impact from foreign exchange rate fluctuation.

##### ***Impact of interest rates***

As we have no significant interest-bearing financial assets, our revenue, income and cash flow are substantially independent of changes in market interest rates. As at 31<sup>st</sup> December 2020, We have no debt with floating interest rate could impact on our financial condition and results of operations

##### ***Impact of commodity price***

The arrangement between our Company and our customers provides us with a relatively consistent gross profit margin. Consequently, commodity price fluctuation should have only an immaterial impact on our financial condition and results of operations.

#### ***j. Impact of inflation***

Any increase in the rate of inflation could adversely affect the cost of fuel and thus increase our distribution costs. In addition, any increase in the rate of inflation could diminish the purchasing power of our employees' salaries, and lead to labor unrest at our Company and increased risk of demands for higher wages, or strikes or Other types of work stoppages. Any increase in our distribution costs, or any type of labor unrest at our company, could have an adverse effect on our financial condition and results of operations.

#### ***k. Government/ Economics/ Fiscal/ Monetary Policy***

##### ***Government***

Cambodian government regulations, such as tax holidays and negotiating favorable terms for exports to other countries have been beneficial to our business. Since 1 January 2011, under the Everything But Arms

(EBA) trade initiative, least developed countries such as Cambodia can export to the EU duty- and quota-free if the country manufactures 40% of the product's value. This new threshold is a reduction of the previous one of 70% of the product's value.

### ***Economic***

Cambodian economy has continued its high growth path as real GDP expanded by 7% in 2019 according to a report by Asia Development Bank Cambodia has been one of the fastest growing countries in the world over the past ten (10) years, experiencing average annual growth of over 8% in 2000. The risks of an impact of an economic slowdown in the US and EU, the two largest destinations of Cambodia's key garment and textile exports, have not so far materialized: merchandise exports in 2018 increased by 7 %with exports of garments and textiles reaching USD5,343 Millions in 2018 compare to USD 4,967 Million in 2017.

### ***Fiscal***

Cambodia's fiscal policy in recent years showed positive signs, one of which was reduction in the budget deficit The Government is undertaking to strengthen the implementation and enforcement of taxation.

### ***Monetary Policy***

Cambodia is a dollarized economy making the country's currency, the Cambodian Riel very susceptible to depreciation of US Dollar. For the Cambodian securities market, there is a requirement to denote the price of listed securities in Cambodian Riel, reflecting a long-term goal of the Government to strengthen the use of the Cambodian Riel There has been no material impact of the government, economic, fiscal or monetary policies our historical profits for 2020 as at 31<sup>st</sup> December 2020.

## **9. SIGNIFICANT INFORMATION TO PROTECT PUBLIC INVESTORS**



## **SIGNIFICANT INFORMATION TO PROTECT PUBLIC INVESTORS**

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In 2020 as at 31<sup>st</sup> December 2020, there is no any significant information other than disclosed in this report of 2020.

**DIRECTORS' SIGNATURE**

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Dated: 30 March 2021

**Having read and approved**



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**Mr. Yang Shaw Shin**  
Chairman of the board of directors

Signature

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**Mr. Chen Tsung-Chi**  
Executive Director  
And Chief Executive Officer

Signature

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**Okhna. Ly Khunthai**  
Independent Director

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**Mr. Huang, Tung-Fu**  
Non-Executive Director

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**Ms. Wang Yi Ting**  
Non-Executive Director

# **APPENDIX ANNUAL CORPORATE GOVERNANCE REPORT**

## PART 1: SHAREHOLDERS

### A. Shareholding structure (by 31<sup>st</sup> December 2020)

#### 1. Shareholders' information

Description	Nationality	Type of shareholders	Number of shareholders	Number of shares	Percentage
Less than 5%	Cambodian	Individual	302	2,858,314	7.15%
		Legal Person	2	205,660	0.51%
	Non-Cambodian	Individual	278	13,653,183	34.13%
		Legal Person	6	3,042,840	7.61%
From 5% to 30%	Cambodian	Individual	-	-	-
		Legal Person	-	-	-
	Non-Cambodian	Individual	-	-	-
		Legal Person	1	3,840,000	9.60%
From 30%	Cambodian	Individual	-	-	-
		Legal Person	-	-	-
	Non-Cambodian	Individual	-	-	-
		Legal Person	1	16,400,000	41%
			<b>590</b>	<b>40,000,000</b>	<b>100%</b>

#### 2. Shareholders who are directors, senior officers and employees of the Company

Shareholders	Number of shareholders	Number of shares	Percentage
Directors	3	1,690,000	4,90%
Senior officers	-	-	-
Employees	-	-	-
<b>Total</b>	<b>3</b>	<b>1,690,000</b>	<b>4,90%</b>

### B. Shareholders' protection and rights

#### 1. Shareholders' rights

After Grand Twin has been officially listed and listed on the CSX in accordance with the relevant laws and regulations, including the Prakas on the disclosure of corporate information, shareholders and the public can receive timely information on important business operations. Significant changes affecting business and production chain Quarterly, semi-annual financial statements and audited financial statements, operating results, information on price changes and trading of securities of the Company on the CSX, dividend distribution notice to shareholders and important information Others include notifications through the website of the Securities and Exchange Commission of Cambodia, the Cambodia Securities Exchange and the company's website. The Company continues to provide up-to-date, important information that may affect shareholders' interests to the Company's shareholders and the general public more than in previous years.

Pursuant to the Law on Commercial Enterprises and the Articles of Association of Grand Twins, only shareholders holding proprietary securities have the right to vote and are listed on the Board of Directors' General Assembly's meetings, which can be attended and voted on. That's.

#### **Right to attend the General Assembly of shareholders, the right to vote and to elect members of the Board of Directors**

In order to determine the number of shareholders who wish to participate and vote in the General Assembly, the Board of Directors shall set a date to determine the number of shareholders. The list of shareholders specified in the due date is organized alphabetically and specifies the number of securities held. Listed shareholders shall receive notice of the General Meeting of Shareholders not less than 20 days and more than 50 days before the date of the General Meeting of Shareholders. The notice of the shareholders' general meeting will show the date, time, place and agenda of the meeting.

When exercising the right to vote in the General Assembly of shareholders, the election is based on the principle of "one share - one vote". Pursuant to Article 36 of the Articles of Association, the shareholders can vote directly or by the trustee in writing in writing, with the signature, date, number of equity held by the shareholders, the name and address of the trustee and the term of the trustee. Appointment of Mandate: Power of attorney letter must be sent to the staff in charge of organizing the general meeting of shareholders before or on the day of the beginning of the general meeting of shareholders.

As stated in Article 7 of the Articles of Association, the equity securities company has the right to vote, one vote and the right to the net assets (capital) of the company upon dissolution of the company in proportion to the securities held. The governor must be elected by the shareholders in accordance with the Law on Commercial Enterprises. Shareholders have the right to elect, change and replace governors and vote on certain corporate regulations through the shareholders' general meeting.

As of December 31, 2020, due to the spread of Kovid 19 virus, the 6th General Assembly of shareholders has been postponed to January 21, 2021, according to the decision of the Board of Directors dated December 28, 2020. 2020 ago.

Right to information

Grand Twin shareholders are entitled to all kinds of information, including information about the Company's business and consulting records, as stated in Article 18, paragraph 1 of the Company's Articles of Association.

Pursuant to Article 7 of the Prakas on Corporate Governance for IPOs, which stipulates the right of shareholders to receive information, each shareholder can check the list of shareholders at the Company's registered office or at the place of storage. The list of securities during working hours or during the shareholders' general meeting where the list is prepared.

The company has a website that gives shareholders and the public access to information. Shareholders can access the operating results of the financial statements, quarterly summary, audited annual financial statements, quarterly reports, as well as information of the directors and senior staff through the company's website and other information about the company. Shareholders are entitled to timely access to the above-mentioned information through the Company's website at [www.Grandtwins.com.kh](http://www.Grandtwins.com.kh). Separately, the rights of shareholders holding minority shares are protected as stated in Article 9 of the Prakas on Corporate Governance for Issuers.

### **Dividend rights**

Pursuant to Articles 49 and 51 of the Company's Articles of Association regarding the annual dividend distribution, shareholders may receive dividends at the discretion of the Board of Directors. Dividends can be distributed in cash or in part, or non-cash compensation in the form of securities. Retained earnings can be added to the profit of the fiscal year to be divided into dividends.

The Board of Directors has the right to decide not to distribute dividends to shareholders if the company suffers losses and is unable to distribute dividends, or the Board intends to retain profits for use in any investment project or for any purpose. Other.

### **3. Protection of shareholders' rights and the Company's practice of the protection of the shareholders' rights**

As of December 31, 2020, through the decision of the Board of Directors dated December 28, 2020, the Board of Directors has decided and approved the distribution of dividends to shareholders by 36.07% of profit after tax. 2019 is allocated to the shareholders who hold the right to vote in proportion to the number of securities held by each shareholder.

### 3. Protection of the rights of shareholders holding minority shares and implementation

The shareholders who hold minority shares are entitled to the same rights protection as the other shareholders as described above.

## C. General Meeting of Shareholders

### 1. Procedure of general shareholder meeting and voting

In order to determine the number of shareholders who wish to participate and vote in the General Assembly, the Board of Directors shall set a date to determine the number of shareholders. The list of shareholders specified in the due date is organized alphabetically and specifies the number of securities held. Listed shareholders shall receive notice of the shareholders' general meeting not less than 20 days and more than 50 days before the date of the shareholders' general meeting. The Annual General Meeting of Shareholders will present the date, time, place and agenda of the meeting to the Cambodia Securities Exchange and on the Company's website.

When exercising the right to vote in the General Assembly of shareholders, the election is based on the principle of "one share - one vote". Pursuant to Article 36 of the Articles of Association, the shareholders can vote directly or by the trustee in writing in writing, with the signature, date, number of equity held by the shareholders, the name and address of the trustee and the term of the trustee. Appointment of Mandate:

Power of attorney letter must be sent to the staff in charge of organizing the general meeting of shareholders before or on the day of the beginning of the general meeting of shareholders.

As stated in Article 7 of the Articles of Association, the equity securities company has the right to vote, one vote and the right to the net assets (capital) of the company upon dissolution of the company in proportion to the securities held. The governor must be elected by the shareholders in accordance with the law on commercial enterprises. Shareholders have the right to elect, change and replace governors and vote on certain corporate regulations through the shareholders' general meeting.

### 2. Information of general shareholder meeting

No.	Date	Type of meeting	Quorums	Agenda	Resolutions
1	22 January 2021	GMS	Majority of the shareholders	<ul style="list-style-type: none"> <li>- Report on business results for 2019 and business direction for the quarters of 2020</li> <li>- Election of dividend distribution to shareholders for 2019</li> <li>- Discussion on various issues</li> </ul>	Resolution dated 22 January 2021

## D. Dividend Distribution

### 1. Dividend policy

- a. Net profit after tax shall be compensated for loss occurred in previous years.
- b. The remaining after distribution, 10% of net profit after tax shall be reserved for future loss.

- c. After the compensation for loss and reserves the remaining profit will be distributed as below
  - i. No more than 3% of net profit after tax will be paid as compensation for BOD.
  - ii. Not less than 5% of net profit after tax will be paid to employee as a bonus.
  
- d. Any remaining amount following above distribution will be paid fully or partially as dividend to ordinary shareholders or reserve for other purposes as determined by the BOD.

Note: Dividend can be distributed as cash or stock.

## 2. Historical information of dividend distribution for the last 03 years

As of December 31, 2020, through the Board of Directors' decision dated December 28, 2020, the Board of Directors has decided and approved the distribution of dividends to shareholders by 36.07% of the profit after tax 2019 Distributed to the shareholders who hold the right to vote in proportion to the number of securities held by each shareholder. As a result, each shareholder receives 50 Riels per unit of title deed.

Grand Twins, on the other hand, does not have a quarterly dividend distribution policy. Dividends will be distributed at the end of each financial year and in accordance with the Board's decision.

No.	Details of the dividend distribution	2019	2018	2017
1	Annoucement date of dividend distribution	22 Jul 2019	29 Jun 2018	20 Jun 2017
2	Record date	02 Aug 2019	12 Jul 2018	07 Jul 2017
3	Dividend payment date	12 Aug 2019	20 Jul 2018	14 Jul 2017





## PART 2: BOARD OF DIRECTORS

### A. Board of directors

#### 1. Composition of the board of directors

As of December 31, 2020, the composition of the Board of Directors of Grand Twin is as follows:

No.	Director	Position	Date of Appointment	Date of Termination
1	Mr. Yang Shaw Shin	Chairman	25 Dec 2018	25 Dec 2021
2	Mr. Chen, Tsung-Chi	Executive Director	01 Oct 2019	01 Oct 2022
3	Okhna. Ly Kunthai	Independent Director	25 Dec 2018	25 Dec 2021
4	Mr. Huang Tung Fu	Non-Executive Director	21 Nov 2019	21 Nov 2022
5	Ms. Wang Yi Ting	Non-Executive Director	25 Dec 2018	25 Dec 2021

Chairman of the Board of Directors, Mr. Yang Shaoxin, was appointed by the Board of Directors at the 9th Board of Directors Meeting on January 5, 2016. Tycoon Ly Khun Thai has been appointed as an independent director, as he has no contact with customers or major suppliers of the company, has never been an auditor for the company has no personal contract with the company Or with a senior employee or shareholder who holds a large number of voting rights or a shareholder who holds a large number of voting rights. In addition, he has no significant interests in the company. Chen, Tsung-Chi has been appointed CEO of the company, where he plays a key role in the implementation of the Board's strategic direction. Grand Twins is led by a board of directors with qualified and experienced directors in the garment sector, which ensures the long-term success of the company as well as the competitiveness of transparency, accountability and efficiency.

In addition, Grand Twin has a truly independent independent board of directors and a board-level leadership that does not consolidate power, separating individuals from the position of chairman and chief executive officer, which is the practice. Good corporate governance framework.

#### 2. Biography of the directors

No.	Name of directors	Position	Education	Experiences
1	Mr. Yang Shaw - Shin	Board Of director and Non-Executives Chairman	During 1980s, he Studied at the Taipei College for Physical Education (major in running/track, field sports and athletics) In 2006, he was elected as the Chairman of the Taipei College, Taiwan, Alumni Association of the fourth promotion	He has almost twenty years of experiences in the sportswear industry His experience includes <ul style="list-style-type: none"><li>As director of Qi Cang industrial Co.,Ltd since 1982</li><li>As Chairman of QMI Industrial Co., Ltd since 2001</li><li>As Director of Kun Yu Construction Co., Ltd since 2006</li></ul>

			and fifth promotion in 2009.	
2	Mr. Chen Tsung-Chi	Executive Director	He graduated from School of Business, Soochow University in Taiwan, majoring in Business Mathematics.	<p>He has more than 30 years of experience in finance, part of which has been with listed companies.</p> <p>Experience in Finance industry</p> <ul style="list-style-type: none"> <li>• As a bank teller and customer credit analysis in China Trust Commercial Bank in Taiwan and gradually developed into a financial controller.</li> <li>• As a group financial controller for Smart Home International Ltd., in which he is mainly responsible for financial planning since 2004.</li> </ul> <p>Experiences in the garment industry, the sportswear industry, and cost accounting in the manufacturing industry</p> <ul style="list-style-type: none"> <li>• As Financial controller of QMI Industrial Co., Ltd (Taiwan) since 1982.</li> </ul>
3	Oknha. Ly Kunthai	Independent Director	He was educated in Asia Europe University, majoring in Business Administration.	<ul style="list-style-type: none"> <li>• As Head of Executive at May Wa Corporation from 1997 to 2005.</li> <li>• As CEO and CFO for Alpha Construction Trade International Co. Ltd from 2005 to 2008.</li> <li>• As the President and Chairman of Alpha Property Construction Co., Ltd. Since 2008.</li> </ul>
4	Mr. Huang Tung Fu	Non-Executive director	He obtained the Bachelor From Southern Taiwan University Of Science And Technology and the master of Education from National Pingtung University Of Science and Technology	<ul style="list-style-type: none"> <li>• Started as a director of QUINT MAJOR, then became a special assistant in Production Department of QMI</li> <li>• Knowledge and experience in the field of garments, sportswear and cost accounting in the manufacturing sector.</li> </ul>
5	Ms. Wang Yi Ting	Non-Executive director	Granduated and obtained the certificate in Marine Science from KEELUNG National Training Scholl in 2000 and holds a bachelor's degree in accounting from the University of Technology of China.	<p>More than 10 years of experience in accounting and finance, including:</p> <ul style="list-style-type: none"> <li>• • Member of the Garment Manufacturers Association of Taiwan.</li> <li>• Accountant-Treasurer at QMI Industrial Co., Ltd.</li> <li>• An auditor at an audit firm in Taiwan.</li> <li>• Accountant at B&amp;T Technology Corporation.</li> </ul>

### 3. If any director, shareholder or co-owner of other company

No.	Director	Company	Director, Shareholder or co-owner
1	Mr. Yang Shaw Shin	Qi Cang industrial Co.,Ltd QMI Industrial Co., Ltd Kun Yu Construction Co., Ltd	- Director since 1982 -Chairman of the board of directors since 2001 -Director since 2006
2	Mr. Chen, Tsung-Chi	N/A	N/A
3	Okhna. Ly Kunthai	Alpha Property Construction Co., Ltd	Chairman of the board of directors
4	Mr. Huang Tung Fu	QUINT MAJOR	Director
5	Ms. Wang Yi Ting	N/A	N/A

### 4. Board roles, duties, responsibilities and performance

The duties, responsibilities and responsibilities of the Grand Twins Board of Directors are set out in the Code of Conduct for Governors and in accordance with applicable laws and regulations. Roles and responsibilities include:

- Approve the company's policies and the implementation procedure.
- Contribute and approve strategic plans of the company.
- Monitor the implementation of policies.
- Ensure the compliance with the law and other relevant regulations
- Ensure the financial solvency of the company, with proper financial management and control, and to protect shareholder's assets.
- Provide leadership, support and motivate employees.
- Ensure that board of the company is effective in leading.
- Ensure that the company's objective is met.
- Provide perspective on the performance and the accountability to shareholders.
- Determine project development.
- Approve annual budgets and investments as well as financial reserves for investment.
- Approve accounting reports
- Agree on the organizational structure, the number of employees, general functions in the organization and employees wages pursuant to the request of the CEO.
- Recruit an internal auditor and to determine his/her remuneration.
- Propose to change article of incorporation.

### 5. Board meetings

Grand Twin Board of Directors' Meetings shall be held regularly once every 3 months. Extraordinary Board of Directors' meetings may be held at the request of the Chairman of the Board or at the request of the Board of Directors with a vote equal to one-third of the total Board of Directors.

The Board of Directors 'meeting shall be in the presence of the majority of the directors and the presence of the independent directors, the Board of Directors' meeting may be held in the office of Grand Twins in the Kingdom of Cambodia as decided by the Chairman of the Board. Minutes of the Board of Directors' meeting shall be signed by the Company Secretary and the Chairman of the Board.

For 2020, as of December 31, 2020, the Board of Directors has organized the following board meetings:

No.	Date	Type of Meeting	Name of directors attending the meeting
1	30 March 2020	General meeting (Video Conference)	Mr. Yang Shaw Shin Mr. Chen, Tsung-Chi Okhna. Ly Kunthai Mr. Huang Tung Fu

			Ms. Wang Yi Ting
2	30 June 2020	General meeting (Video Conference)	Mr. Yang Shaw Shin Mr. Chen, Tsung-Chi Okhna. Ly Kunthai Mr. Huang Tung Fu Ms. Wang Yi Ting
3	20 September 2020	General meeting (Video Conference)	Mr. Yang Shaw Shin Mr. Chen, Tsung-Chi Okhna. Ly Kunthai Mr. Huang Tung Fu Ms. Wang Yi Ting
4	28 December 2020	General meeting (Video Conference)	Mr. Yang Shaw Shin Mr. Chen, Tsung-Chi Okhna. Ly Kunthai Mr. Huang Tung Fu Ms. Wang Yi Ting

## B. Committees

### 1. Committees structure

#### 1.1. Audit committee

For 2020 as of December 31, 2020, the composition of the Audit Committee is as follows:

No.	Name	Position	Appointing Date	Number of attending the meeting	Total number of meetings
1	Okhna. Ly Kunthai	Head of the committee	25 December 2018	4	4
2	Mr. Chen, Tsung-Chi	Member	25 December 2018	4	4
3	Mr. Huang Tung Fu	Member	31 December 2019	4	4

#### Roles and responsibilities of the audit committee

Our Audit Committee has duties in reviewing financial statement, internal control, internal audit, and external audit. Our Board of director has not established the Risk Management Committee yet. Therefore, all responsibilities and other risk related tasks such as risk analysis, planning, assessment, response, and monitoring will be executed by our Audit committee. Our audit committee shall meet periodically to perform the following functions:

- Review the audit plans of our Company's external auditors, and internal auditors, including the results of our auditors' review and evaluation of our system of internal controls (including review of management letter and management response)
- Review the performance and continued suitability of our Company's external auditors and experience of the accounting firm and the persons assigned to the audit.
- Conduct an annual review to ensure that safeguards, checks and balances are put in place to prevent any conflict of interest or any weakening of internal controls.
- Review the internal control procedures and ensure co-ordination between the external auditors, the internal auditors and our management.
- Review the external auditors' reports.
- Review the half yearly and annual, and quarterly if applicable, financial statements and results announcements before submission to our Board
- Propose to appoint the accounting firm
- Approve to limit the risk of possible conflicts of interest, audit services, non-audit services and fees paid to auditors for audit services and non-audit services.

- Review any potential conflicts of interest.
- Review the performance and continued suitability of CFO.
- Review the internal control procedure.
- Review our key financial risk areas and shall be disclose in annual report.
- Perform the Board of director resolution and report to the Board of director on the conflict of interest.

Our Audit Committee has reviewed on the qualification of Mr. **Hsieh Chung Nan** who has sufficient qualifications and experiences to be as Head of Accounting and Finance Department of our company. She shall not exercise any actions leading to conflicts of interest. She shall sends all audit reports which is prepared by internal audit unit to audit committee and other relevant senior officers whose department is required to be audited. Furthermore, she shall report all significant findings which may affect our operation to our Audit Committee. Mr. **Hsieh Chung Nan** is 53 years old, Taiwanese citizen. He graduated in accounting and finance and has many experiences in this field. He is appointed as head of accounting and finance department replacing Mr Lin Te Chang aaince June 2017.

### **Results of the audit committee performance**

For the year 2020, the Audit Committee has reviewed the results and evaluated the performance of the Internal Audit Unit and some of the main work as follows: December 2020 Prepared by the Internal Auditor (2) Review of Summary Financial Statements for Quarterly Summary And financial statements audited and audited by Crown as an independent auditor before being reviewed and approved by the Board of Directors, ensuring efficiency between the Independent Auditor and the Internal Auditor. To shareholders for the next year and (4) other issues.

#### **1.2. Nomination and remuneration committee**

As at 31 December 2020, we have no the nomination and remuneration committee.

#### **1.3. Risk committee (if any)**

As at 31 December 2020, we have no the risk management committee.

#### **1.4. Other committee**

As at 31 December 2020, we have no other committees.

### **2. Change of Committees member**

As at 31 December 2020, we have not changed the members of this committee.

### **C. Remuneration or compensation**

#### **1. Brief policy on benefits or allowances for governors and senior staff**

As at 31 December 2020, we have no policy to increase the sum or sum of large sums of money to its directors or employees.

In principle, dividend policy is defined as follows:

- a. Net profit after tax shall be compensated for loss occurred in previous years.
- b. The remaining after distribution, 10% of net profit after tax shall be reserved for future loss.
- c. After the compensation for loss and reserves the remaining profit will be distributed as below

- i. No more than 3% of net profit after tax will be paid as compensation for BOD.
- ii. Not less than 5% of net profit after tax will be paid to employee as a bonus.
- d. Any remaining amount following above distribution will be paid fully or partially as dividend to ordinary shareholders or reserve for other purposes as determined by the BOD.

## 2. Individuals who receive benefits or allowances

As of December 31, 2020, Grand Twins has allocated the following total salary or benefits to its directors or employees:

No.	Remuneration and compensation receivers	Remuneration and compensation amount	Other
1	All directors	N/A	N/A
2	Senior officers	77,483	N/A
3	Top 5 employees receiving Remuneration and compensation	11,494	N/A

## D. Annual performance evaluation of the board of directors, directors, committees and CEO

No.	Description	Evaluaiton process	Marking criteria
1	Board of directors	By the shareholders	<ul style="list-style-type: none"> <li>- Performing of his/her duties and responsibilities in accordance with the code of conduct approved for the board of directors and senior officers</li> <li>- Attending regularly in the meetings</li> <li>- Conflicts of interest during his/her works</li> <li>- Best result of the company's operation</li> </ul>
2	Directors	By the chairman of the board of directors	<ul style="list-style-type: none"> <li>- Performing of his/her duties and responsibilities in accordance with the code of conduct approved for the board of directors and senior officers</li> <li>- Attending regularly in the meetings</li> <li>- Conflicts of interest during his/her works</li> <li>- Best result of the company's operation</li> </ul>
3	Committees	By the board of directors	<ul style="list-style-type: none"> <li>- Performing of his/her duties and responsibilities in accordance with the code of conduct approved for the board of directors and senior officers</li> <li>- Attending regularly in the meetings</li> <li>- Conflicts of interest during his/her works</li> <li>- Best result of the company's operation</li> </ul>
4	CEO	By the chairman of the board of directors	<ul style="list-style-type: none"> <li>- Performing of his/her duties and responsibilities in accordance with the code of conduct approved for the board of directors and senior officers</li> <li>- Attending regularly in the meetings</li> <li>- Conflicts of interest during his/her works</li> <li>- Best result of the company's operation</li> </ul>

## E. Training for directors and senior officers

As of December 31, 2020, there is no training for the Company's directors and senior staff.

## **PART 3: CODE OF CONDUCT OF THE BOARD OF DIRECTORS**

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### **A. Policies related to the Code of Business Conduct of Governors, Senior Staff and Employees**

To ensure effective leadership, the Board of Directors of Grand Twins adopted the Code of Conduct for the Company's Board of Directors and senior staff in 2013, and all of the Company's directors and senior staff must adhere to this Code.

In accordance with the requirements of the Securities and Exchange Commission of Cambodia ("SECC") and the Cambodia Securities Exchange ("CSX"), the Board of Directors of **Grand Twins International (Cambodia) Plc.** (hereafter as the "**Company**") has adopted this Code of Business Conduct and Ethics (this "Code") for board members and all senior officers.

This Code shall be called "The Code of Business Conduct & Ethics" for Board Members and Senior Officers of the Company. The Code envisages that the Board of Directors and Senior Officers must act within the bounds of the authority conferred upon them with a duty to make and keep themselves informed about the development in the industry in which the Company is involved and the legal requirements to be fulfilled.

This Code is intended to provide guidance and help in recognizing and dealing with ethical issues, provide mechanisms to report unethical conduct, and to help foster a culture of honesty and accountability as well as to enhance ethical and transparent process in managing the affairs of the Company. The Code not only ensures compliance with all the laws and regulations, but goes beyond to ensure exemplary Corporate Governance.

This Code for Board Members and Senior Officers has been framed in compliance of the provisions of laws and regulations in force (in particular Chapter 6 of the Law on Issuance and Trading of Non-Government Securities and the Sub-decree on the Implementation of the Law as well as the Prakas on the Public Issuance of Equity Securities). This Code is particularly made to ensure that the prevailing provisions in the Prakas on Corporate Governance for Listed Companies are complied with.

#### **1.1 Contribute to Society and Human Well Being**

This principle concerning the quality of life of all people, affirms an obligation to protect fundamental human rights and to respect the diversity of all cultures. We must attempt to ensure that the products of our efforts will be used in socially responsible ways, will meet social needs and will avoid harmful effects to health and welfare of others. In addition to a safe social environment, human well being includes a safe natural environment.

Therefore, all Board Members and Senior Officers who are accountable for the design, development, manufacture and promotions of company's products, must be alert to, and make others aware of, both a legal and moral responsibility for the safety and the protection of human life and environment.

#### **1.2 Be Honest and Trustworthy and Practice Integrity**

All Directors and Senior Officers shall conduct their activities honestly, diligently and in good faith, with due care, competence and diligence on behalf of the Company and on their personal behalf.

All Directors and Senior Officers shall act in accordance with highest standards of integrity, fairness and ethical conduct while working for the Company as well as in representing the Company without their judgment being subordinated and also to fulfill their fiduciary obligations.

#### **1.3 Honor Confidentiality**

Directors and Senior Officers shall maintain the confidentiality of any information concerning the business of the Company or that of any customer, supplier or business associate of the Company to which Company has a duty to maintain confidentiality, except when disclosure is

(a) authorized by the Board; or

(b) the same is part of the public domain at the time of disclosure; or



(c) is required to be disclosed in accordance with applicable laws.

Directors and Senior Officers shall not provide any information either formally or informally, to the press or any other publicity media, unless specifically authorized.

#### **1.4 Pledge and Practice**

- To strive continuously to bring about integrity and transparency in all spheres of the activities.
- Work unstintingly for eradication of corruption in all spheres of life.
- Remain vigilant and work towards growth and reputation of the Company.
- Bring pride to the organization and provide value-based services to Company's stakeholders.
- Do duty conscientiously and without fear or favor.

#### **1.5 Strive to Achieve the Highest Quality, Effectiveness and Dignity in Both the Processes and Products of Professional Work**

Excellence is perhaps the most important obligation of a professional. Everyone, therefore, should strive to achieve the highest quality, effectiveness and dignity in their professional work.

#### **1.6 Acquire and Maintain Professional Competence**

Excellence depends on individuals who take responsibility for acquiring and maintaining professional competence. All are, therefore, expected to participate in setting standards for appropriate levels of competence, and strive to achieve those standards.

#### **1.7 Compliance with Laws and Regulations**

Directors and Senior Officers are required to comply with all applicable laws, rules and regulations, both in letter and spirit. In order to assist the Company in promoting lawful and ethical behavior, Directors and Senior Officers must report to the Compliance Officer any possible violation of laws and regulations.

#### **1.8 Conflict of Interest**

All Directors and Senior Officers of the Company:

Should not enter into any transactions, which are or are likely to be in conflict with interest of the Company.

Shall not exploit for their own personal gain, opportunities that are discovered through use of corporate property, information or position, unless the opportunity is disclosed fully in writing to (a) the Board of Directors in the case of Directors and (b) President/Managing Director in case of Senior Officers and they decline to pursue such opportunity for the Company.

Shall avoid having any personal financial interests in works or contracts awarded by the Company.

Shall not seek to accept directly or indirectly any gifts from anyone having business dealings with the Company.

Shall avoid any relationship with a contractor or supplier that could compromise the ability to transact business on a professional, impartial and competitive basis or that may influence decision to be made by the Company.

Shall not hold any positions or jobs or engage in outside business or other interests that adversely affect the performance of duties of the Company. Whole-time Directors and Senior Officers are expected to devote their full attention to the business interests of the Company and as, more particularly, subject to terms and conditions laid down in their respective contracts/appointment letters.

Directors and Senior Officers are free to make personal investments and enjoy social relations and normal business courtesies. They should however ensure that such interests do not directly or indirectly influence the performance of their responsibilities.

All transactions having conflict of interest should be carried out in accordance with the law and be fully disclosed to the Board and, upon a decision being taken in the matter, the person concerned will be required to take necessary action as advised to resolve/avoid the conflict.



If the Director or Senior Officer fails to make a disclosure as required herein and the Board of its own accord becomes aware of an instance of conflict of interest that ought to have been disclosed by the concerned person, the Board would take a serious view of the matter and consider suitable disciplinary action against the person concerned.

#### **1.9 Disclosures of Related Parties Transaction**

The Directors shall make disclosures to the Board and the Senior Officers shall make disclosure to the President/Managing Director of the Company with respect to any transaction with the Company in which such person is interested and in respect of which a conflict of interest can arise between the Company and the person concerned.

#### **1.10 Prevention of Insider Trading**

The Board Members and Senior Officers shall at all time comply with the provisions of the laws and regulations in force in relation to the securities of the Company including the prohibition of insider dealing, market manipulation, misleading statement, etc.

#### **1.11 Being Upright and Avoidance of any Inducement**

The Board Members and Senior Officers shall not, directly or indirectly through their family and other connections, solicit any personal fee, commission or other form of remuneration arising out of transactions involving Company. This includes gifts or other benefits of significant value, which might be extended at times, to influence business for the organization or awarding a contract to an agency, etc.

#### **1.12 Corporate Governance**

Directors and Senior Officers should sincerely follow and should cause the Company to follow the philosophy of good corporate governance by possessing strong business fundamentals focusing on transparency, accountability, professionalism and corporate social responsibility for enhancing shareholders' value and contributing to the society at large.

#### **1.13 Human Resources/ Employee Relations**

In dealing with each other, Directors and Senior Officers shall uphold the values which are at the core of our HR Philosophy - trust, teamwork, mutuality and collaboration, meritocracy, objectivity, self respect and human dignity.

Directors and Senior Officers should assist the Company in further aligning its human resource policies, processes and initiatives to meet its business needs.

#### **1.14 Respect for the Individual**

Directors and Senior Officers should ensure that:

Subject to the compliance with applicable laws regarding positive discrimination, individuals in all aspects of employment are not discriminated against on the basis of race, religion, color, age, disability, gender, sexual orientation or marital status and the sole criterion for recognition within the company shall be that of the work performance.

Racial, sexual and any other kind of harassment is not tolerated within the Company.

Personal beliefs of individuals are respected and that the Company specifically disassociates itself from any activity, which challenges our commitment to cultural diversity and equal opportunities.

#### **1.15 Quality of Products and Services**

Directors and Senior Officers should ensure that the Company is committed to supply products and services of the highest quality standards backed by efficient after sales service consistent with the requirements of the customers to ensure their total satisfaction. They should cause the Company to strive towards proper application and adoption of product safety standards applicable to the industry, in which the Company operates.

## **1.16 Shareholders**

Directors and Senior Officers shall be committed to enhance shareholder value and ensure that the Company complies with all regulations and laws governing shareholders' rights. They shall duly and fairly inform its shareholders about all relevant aspects of the Company's business, and disclose such information in accordance with the respective regulations and agreements.

## **1.17 Company's Stakeholders**

All of those whom we serve, be it on our customers, without whom the Company will not be in business, the Shareholders, who have an important stake in its business, the Employees, who have a vested interest in making it all happen, the Vendors, who support the Company to deliver in time and Society to which Company is responsible for its actions – are stakeholders of the Company. All, therefore, must keep in mind at all times that they are accountable to Company's stakeholders.

## **1.18 Protection and Proper Use of Company's Assets and Resources**

Directors and Senior Officers shall as far as practicable protect the Company's assets from loss, damage, misuse or theft and ensure that assets are only used for business purposes and other purposes specifically approved by Management and must never be used for unauthorized purposes.

Directors and Senior Officers shall not apply the Company's assets/resources and/or proprietary information for personal benefit and/or for benefit of any other related party.

## **1.19 Intellectual Property Policy**

Directors and Senior Officers shall protect the intellectual properties, trademarks, trade secrets and other confidential information owned by the Company and its clients or associates.

## **1.20 Waivers and Amendments**

Any waiver of any provision of this Code for a Director and Senior Officer must be placed for approval before the Company's Board of Directors and they in turn must approve that in writing and must be appropriately disclosed. Based on the business requirements and applicable regulations the Code may be amended by the Board of Directors from time to time.

## **1.21 Affirmation of the Code**

All Directors and Senior Officers to whom the Code applies, shall, [within 30 days of close of every financial year] affirm compliance with the Code indicating their continued understanding of and compliance with the Code. The duly signed Annual Compliance Declaration shall be forwarded to the Compliance Officer of the Company. Such declaration shall be in the form annexed hereto as "Annexure – I". The Company's Annual Report shall contain a declaration to this effect signed by the Chief Executive Office of the Company.

## **1.22 Violation of the Code**

It shall be the duty of all the Directors and Senior Officers to help the enforcement of the Code and any breach if communicated/noticed is to be reported to the Board. In case of breach of the Code, the Board shall initiate appropriate action as it may deem fit & necessary.

## **B. Dissemination of business ethics to governors, senior staff and employees**

Grand Twin introduces new employees to the company's code of conduct and internal regulations, as well as provides training to its employees.

## **C. Mechanisms and procedures for monitoring the implementation of business ethics**

After the Code is adopted and enacted, the members of the Board of Directors and the management of all divisions strictly implement their duties and responsibilities. Over the years and as of the date of filing the 2019

annual report, as a result, there have been no serious problems committed by the members of the Board of Directors and the management in all areas contrary to this Code.

Grand Twins has always been very focused and focused on protecting the rights of all stakeholders, including creditors, individuals with related interests and contracts with the Company. Grand Twins is currently a listed company, so it is obliged to provide timely, transparent information and provide quarterly reports, Semi-annual and annual reports, which include information on company operations, financial status and other necessary information that may affect the decisions and interests of stakeholders and public investors. Stakeholders and public investors, including Grand Twins shareholders, have the right to access the above-mentioned information in a timely manner through the Company's website at [www.Grandtwins.com.kh](http://www.Grandtwins.com.kh), the website of the Securities and Exchange Commission of Cambodia is [www.secc.gov.kh](http://www.secc.gov.kh) and the Cambodia Securities Exchange website is [www.csx.com.kh](http://www.csx.com.kh).

#### D. Transactions with stakeholders

##### 1. Company policy for managing transactions with related parties

As of December 31, 2020, Grand Twins has no policy governing transactions with its stakeholders.

No.	Related Parties	Policies
1	Holding companies	N/A
2	Joint venture agreement	N/A
3	Subsidiaries	N/A
4	Controlling sharehodler	N/A
5	Directors or Directors' family	N/A
6	Senior Officers or Senior Officers' family	N/A
7	Others	N/A

#### E. Materiel transactions with stakeholders

As of December 31, 2020, Grand Twin has significant transactions with the following stakeholders:

No.	Related Person	Type of Transaction	Value of Transaction	Description
1	Mr. Yang Shaw Shin	Long Term Lease	3,880,000	The land size is approximately 32,241 square meters, located in Trapeang Po Village, Sangkat Choam Chao, Khan Por Senchey, Phnom Penh, marked by the Certificate of Real Estate Occupation No. 00077 dated March 05, 1997 and No. 00525 dated December 26, 1997. Under the name of Yang Shaoxin.  The lease has a term of 50 (fifty) years and can be automatically extended for another 50 (fifty) years, starting from March 31, 2012 until March 30, 2062. The total rent of the long-term lease is 15,520 million Riels (US \$ 3.88 million).
2	Mr. Yang Shaw Shin	Personal guarantee (Long Term Lease with The First	6,400,000	One Year Short Term Loan (Revolving) September 28, 2016 from First Commercial Bank Phnom Penh Branch Mortgage

		Commercial Bank PP Branch)		Certificate of Occupation of Real Estate 12055010119 Made on April 9, 2013
3	Mr. Yang Shaw Shin		3,000,000	Long-term loan for 84 months November 06, 2017 from Taiwan Cooperative Bank, Mortgage, Certificate of Real Estate Management 005315 (Ixii 0019/210909080001) and TK05366 (Ixii 0020/210909080002

### **A. Summary of risk management system or risk management policy**

The growth and subsequent changes in the business activities of Grand Twin, a publicly traded company, also face new risks, while past risks may be diminished. Therefore, Grand Twins faces many risks that require effective and efficient management. Otherwise, the company will not be able to achieve the financial action plan and development goals.

Grand Twin's approach to risk management is to identify in advance the types of risks and assess the risks that will affect the Company's business and the relevance of those risks. Grand Twins must develop preventive measures and mechanisms for monitoring and addressing, and clearly define responsibilities and responsibilities for each employee to address those risks.

### **B. Summary of Internal Control System**

The Internal Audit Unit was established in early 2013 and clearly defines the roles, duties and responsibilities for independent evaluation of the internal control system. At present, the Internal Audit Unit has 3 members, which are specialized in accounting, technical and auditing.

Internal audit work is critical to the successful completion of the Company's day-to-day operations and the achievement of objectives through the use of accurate and specific assessment methods in order to increase the efficiency of risk management and increase the efficiency of business operations. Of the company through monitoring and recommendation based on data analysis and evaluation.

Grand Twin has established a strong internal control system to protect asset security and improve services for key customers and other customers, prevent intentional and unintentional mistakes, to ensure that the management, staff and all employees of the company. Grand Twin adheres to and adheres to the Company's standards, professional standards, and other company guidelines.

### **C. C. Audit**

#### **1. Internal Audit**

##### **1.1. Duties and Responsibilities of the Internal Auditor**

In 2020, the Internal Audit Unit inspected and evaluated the work according to the action plan for 2020 and the previous quarter of 2020 for the company's business operations.

The Internal Audit Unit reviews the results and evaluates the performance of the Internal Audit Unit and some of the main tasks: (1) Review the summary and annual financial statements prepared by the Internal Auditor; (2) Review the financial statements. Summary items for the quarters of 2020 as of December 31, 2020

Reviewed by Crown as an independent auditor before review and decision by the Board of Directors, ensuring efficiency between the independent auditor and the internal auditor, (3) tax issues and (4) some other major matters.

Employees and management in each department with good ethics, strong will to work, good discipline, prepare documents, date well and report monthly, quarterly, semi-annual and annual work regularly and on time

The above audit conducted for the quarters of 2020 shows that the above operational process is performing well in accordance with the regulations, labor standards and legal standards.

**1.2. Appointment and Removal / Removal of the Chairman and / or Deputy Chairman of the Internal Audit**

**1.3. New Appointment of Chairman and / or Deputy Chairman of Internal Auditor**

As of December 31, 2020, Grand Twins has not appointed a new Chairman and / or Deputy Chairman of the Internal Audit.

**2. External auditor**

No.	Company	Date of Appointment	Services Fees	Other non auditing fees
1	Crowe (KH) Co., Ltd.	24 June 2020	USD48,000	N/A

## **PART 5: RELATED PARTIES**

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**A. Indicate policies and activities related to the following:**

As of December 31, 2020, Grand Twins does not have any policy for activities related to the following:

<b>No.</b>	<b>Items</b>	<b>Policies</b>	<b>Activities</b>
1	Customer Welfare	N/A	Check product quality
2	Selecting suppliers / contractors	N/A	Choose quality raw materials
3	Management and protection of employees	N/A	Increase salaries and other benefits in accordance with applicable laws and regulations
4	Environmental protection	N/A	Prevent toxins from discharging from the factory
5	Interact with the community	N/A	Organize order outside the factory
6	Protection of creditors' rights	N/A	Payment on time in accordance with the agreement
7	Anti-Corruption Program	N/A	Reduce informal costs
8	Others	N/A	N/A

**B. Describe the company's social responsibility**

As of December 31, 2020, Grand Twins does not have any policy for activities related to the following:

<b>No.</b>	<b>Beneficiary</b>	<b>Value of Donation</b>	<b>Purpose of Donation</b>
1	N/A	N/A	N/A

## PART 6: DISCLOSURE AND TRANSPARENCY

### A. Disclosure in the annual report as the following:

No.	Information	Yes/No
1	Vision / Mission / Business Goals	Yes
2	Key Indicators	Yes
3	Non financial key indicators	Yes
4	Risk factors	Yes
5	Dividend policy	Yes
6	Biography of all directors	Yes
7	Training for all directors	Yes
8	Number of the meeting of the board of directors	Yes
9	Presence in the meeting of the board of directors	Yes
10	Compensation of the directors and senior officers	Yes

### B. Describe the mechanism of disclosure, describing the means, procedures and staff in charge of providing information.

Grand Twins is currently listed on the Securities and Exchange Commission, so it is obliged to provide timely, transparent information and provide quarterly, semi-annual and annual reports, including updates on the Company's operations, financial position and other necessary information. That may affect decisions And the interests of stakeholders and public investors. Stakeholders and public investors, including the Company's shareholders, have the right to access the above-mentioned information in a timely manner through the Company's website at [www.grandtwins.com.kh](http://www.grandtwins.com.kh), the SEC's website is [www.secc.gov.kh](http://www.secc.gov.kh) and the website of the Cambodia Securities Exchange is [www.csx.com.kh](http://www.csx.com.kh).

The corporate disclosure's officers provided timely, voluntary and other necessary information to the Cambodia Securities Exchange via E-Disclosure. Separately, the information staff provided quarterly, semi-annual and annual reports, including information on the current operation of the company, financial status and other necessary information to the Securities and Exchange Commission of Cambodia via email. The information will be disclosed to stakeholders and public investors, including Grand Twin shareholders through the Company's website: [www.Grandtwins.com.kh](http://www.Grandtwins.com.kh) After appearing on the website of the Cambodia Securities Exchange. Grand Twins currently has four (4) corporate disclosure's officers: 1)- Mr. Chen Tsung Chi ; 2)- Mr. Phuong Vuthy; 3)-Mrs. Yim Raksmeay and 4)- Mrs. Nheok Mealrodey.

### C. Investor Relations 1- Demonstrate the mechanism and procedure of communication with investors

Grand Twins has always been very focused and focused on protecting the rights of stakeholders, including public investors. Investors can contact the company directly during business hours if they have any questions or concerns that affect the decisions and interests of stakeholders and public investors.

2- Briefly describe the relationship with investors in the last 1 (one) year

As of December 31, 2020, Grand Twins has not had any problems related to the relationship with the above investors.





**ក្រុមហ៊ុន ហ្គ្រង់ ធួន អ៊ិនធើរណេសិនណល ភីអិលស៊ី**

Grand Twins International ( Cambodia ) Plc.

អាសយដ្ឋាន: ភូមិត្រពាំងពោធិ៍ សង្កាត់ចោមចៅ ខណ្ឌពោធិ៍សែនជ័យ រាជធានីភ្នំពេញ ព្រះរាជាណាចក្រកម្ពុជា។

Address: Phum Trapaing Poe, Sangkat Chom Chao, Khan Porsenchey, Phnom Penh, Cambodia

លេខទូរស័ព្ទ : (៨៥៥)២៣ ៨៩០ ៣២៥ / លេខទូរសារ : (៨៥៥)២៣ ៨៩០ ៣២៦

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