



GRAND TWINS INTERNATIONAL  
(CAMBODIA) PLC.



REPORT OF  
THE FIRST QUATER OF 2022

**As at ended 31 March 2022**

**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

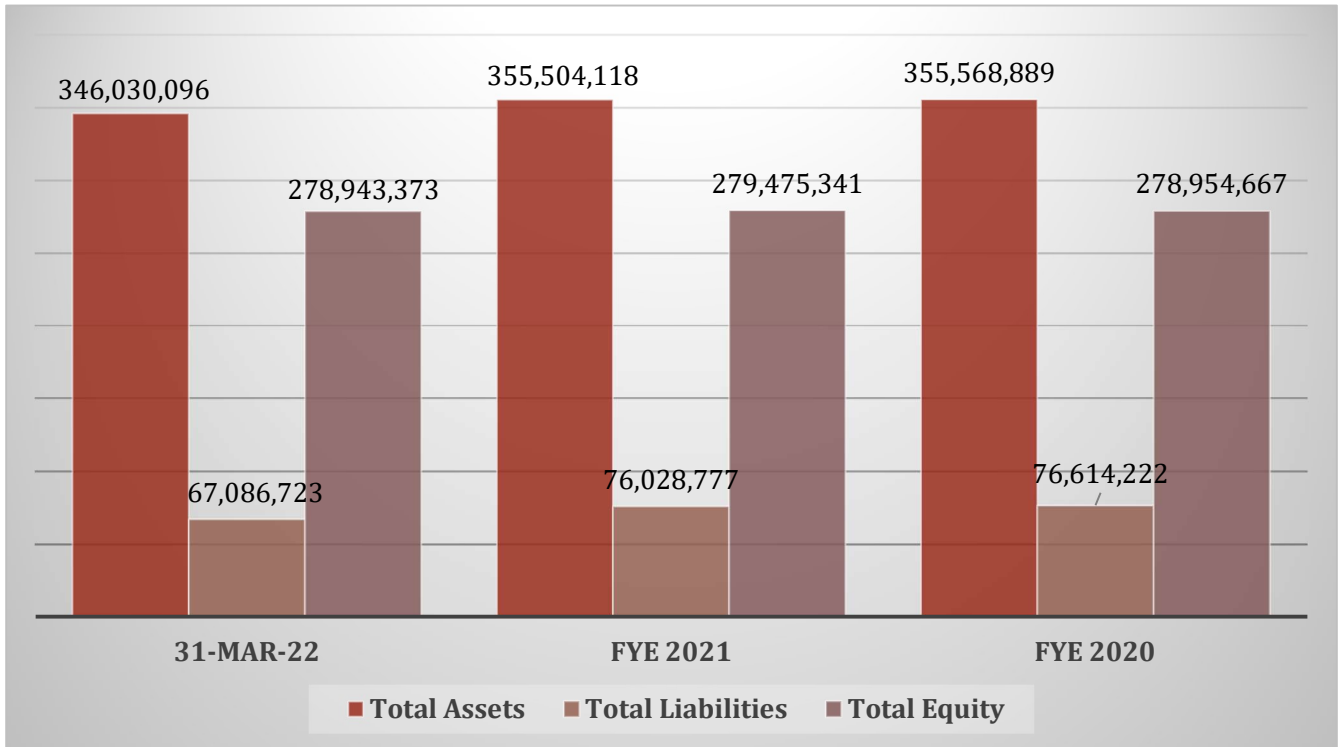
**KEY DATA AND INDICATOR  
FOR  
THE FIRST QUARTER OF 2022**

**CONDENSED INTERIM FINANCIAL STATEMENTS FOR Q1 OF 2022 & Q1 OF THE PREVIOUS YEARS**

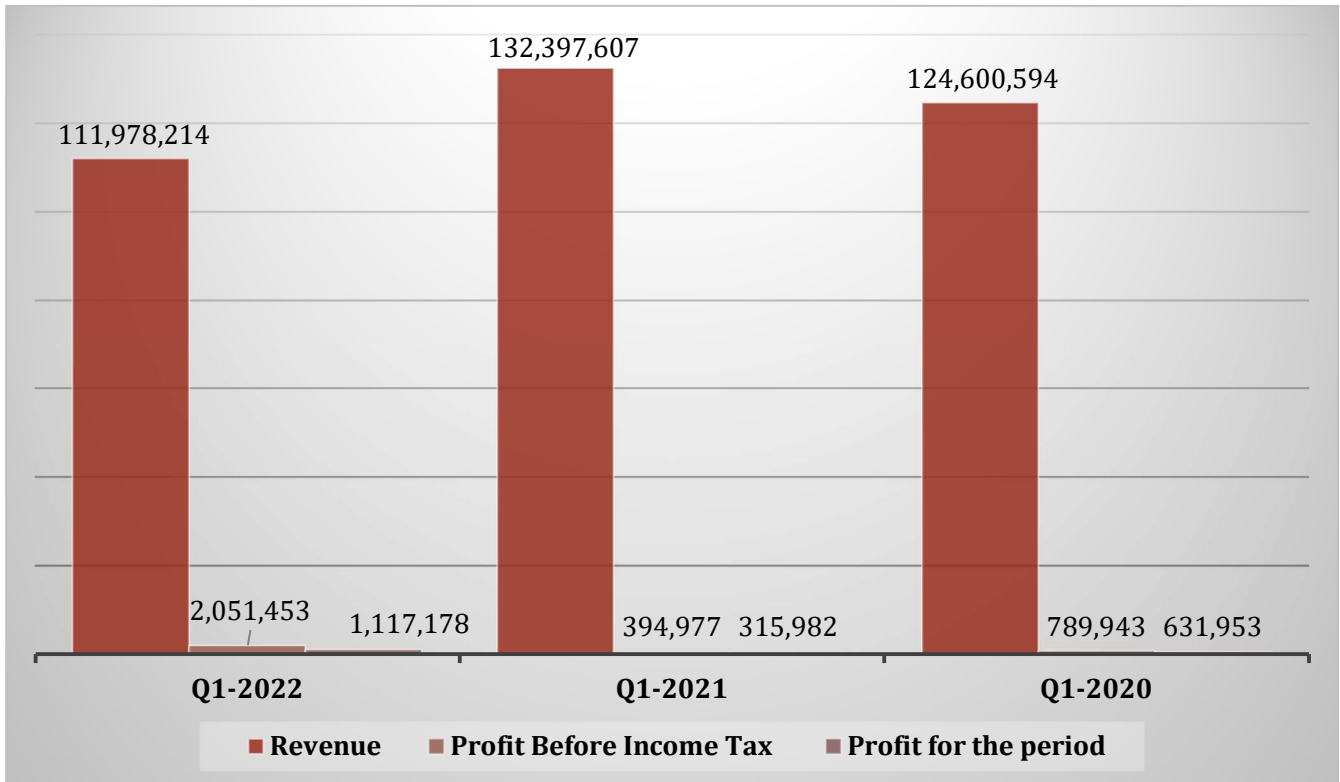
Description		31 March 2022	FYE 2021	FYE 2020
		KHR'000	KHR'000	KHR'000
<b>Financial Position</b>				
Total Assets		346,030,096	355,504,118	355,568,889
Total Liabilities		67,086,723	76,028,777	76,614,222
Total Equity		278,943,373	279,475,341	278,954,667
<b>Comprehensive Income</b>		<b>31 March 2022</b>	<b>31 March 2021</b>	<b>31 March 2020</b>
Revenue		111,978,214	132,397,607	124,600,594
Profit Before Income Tax		2,051,453	394,977	789,943
Profit for the period		1,117,178	315,982	631,953
Comprehensive Income for the period		1,117,178	315,982	631,953
<b>Fianancial Ratio</b>		<b>31 March 2022</b>	<b>FYE 2021</b>	<b>FYE 2020</b>
Solvency Ratio		80.61%	78.61%	78.45%
Liquidity	Current Ratio	4.58	4.16	4.27
Ratio	Quick Ratio	3.00	2.67	2.94
<b>Profitability Ratio</b>		<b>31 March 2022</b>	<b>FYE 2021</b>	<b>FYE 2020</b>
Profitability Ratio	Return on Assets	0.32%	0.09%	0.18%
	Return on Equity	0.40%	0.11%	0.23%
	Gross Profit Margin	7.60%	4.83%	5.93%
	Profit Margin	1.00%	0.24%	0.51%
	Earnings Per Share	27.93	7.90	15.80
Interest Coverage Ratio		6.59	2.07	1.77
Dividend Yield ( if any)		-	-	15
Others Financial Ratio ( if any )		-	-	-

**COMPREHENSIVE INCOME FOR Q1 OF 2022 AND Q1 OF THE PREVIOUS YEARS**

( In KHR'000 )



( In KHR'000 )



**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 pleasure to present the interim condensed financial report for Q1 of 2022 as at 31 March 2022 of the Company.

### 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 distibuting 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 stablized and gain higher revenue than previous year.

### Financial performance highlighted for Q1 of 2022

In Q1 of 2022 as at 31 March 2022, Grand Twins has generated KHR 111,978 Millions (US27.581 Millions), and interpreted to profit before tax of KHR 2,051 Millions (USD505,284) and the profit after of KHR 1,117 Million (USD 275,167). It has figured in slightly increase comparing to Q1 of the previous years.

### Expectation for further quarter s of 2022

For further quarters of 2022, we will commit to keep more effort to enhance our corporate governance and accomplish our vision and mission. Our target is to archieve 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 quarter s 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: 13 May 2022  
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 Q1 of 2022 of the Company and the reviewed financial information as at 31<sup>st</sup> March 2022.

### **Principal activities**

The main activities of the Company is manufacturing of garments. Since the date of incorporation, there have been no significant changes in the nature of this activity.

### **Financial Performance**

The financial performance for the quarter end 31<sup>st</sup> March 2022, is disclosed in the interim report in section 6 "Interim Condensed Financial Report" of independent auditor

	<b>In KHR '000'</b>	<b>US Dollar</b>
Total Revenue	111,978,214	27,580,841
Profit before income tax	2,051,453	505,284
Profit for the period	1,117,178	275,167

### **Assets**

When preparing the interim condensed financial statements, Management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets.

Financial statement is authorised, our Directors has taken appropriate rule to interpret value of current assets to current market value apply in normal operation, while recorded reducing value in accounting book to correspond to expected market value. As the date of this report, the Director does not aware of any circumstances which would give misleading values for the assets in the financial statements of the Company.

### **Valuation methods**

At the date of this report, the Director is not aware of any circumstances that have arisen that would give misleading and inappropriate values for the assets in the financial statement.

### **Contingent and other liabilities**

At the date of this report there does not exist:

- Any charge on the assets of the Company that has arisen since the end of the year which secures the liabilities of any other person as quarter ended 31<sup>st</sup> March 2022; or
- Any contingent liability in respect of the Company that has arisen.

In the Director opinion, there is no contingent and other liabilities has become enforceable in 3 months as quarter ended, that will or may substantially affect the ability of company to meet its obligations when they fall due.

### **Change of circumstances**

As of the date of this report, the Director is not aware of any circumstances not otherwise deal with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

## **Items of an unusual nature**

In the opinion of the management, the results of the operations of the Company presented in the Company's financial statements for the quarter ended 31<sup>st</sup> March 2022, have not been substantially affected by any item, transaction or event of a material and unusual nature. In the opinion of the Director, there have not been any item, transaction or event of a material and unusual nature likely, to affect substantially the results of the operations of the Company.

## **Event after the balance sheet date**

Other than those events disclosed in the Note to the financial statements, there has not arisen any item transaction or event of a material and unusual nature likely to affect substantially the interim financial performance of our Company for the quarter ended 31<sup>st</sup> March 2022.

## **The Director's Responsibility for the Financial Statements**

The Director is responsible for ensuring that the financial statement are properly drawn up so as to present fairly. In all materials aspects, the financial position of the company as at for the quarter ended 31<sup>st</sup> March 2021 of it interim financial performance and cash flow for the years and period then ended.

In preparing these financial statement, the Direcotor is required to:

1. Adopt appropriate policies in accordance with the Cambodian Accounting Standard (CAS) which are supported y reasonable and prudent judgment and estimate and then apply them consistently;
2. Comply with the disclosure requirement of the CAS, or if there has been any departure in the interest of true and fair presentation, this has been appropriately disclosed, explained and quantified in the financial statement;
3. Maintain adequate accounting records and an effective system of internal controls;
4. Prepare the financial statements on a going concern basis unless it is inappropriate to assume that the Company will continue operations in the foreseeable future; and
5. Effectively control and direct the Company and be involved in all material decisions affecting the operations and performance and ascertain that such have been properly reflected in the financial statements.

The directors of the Company do hereby confirm that the interim condensed financial statements, together with the notes thereto, present fairly, in all material respects the financial position of the Company for the quarter of 2022 as at 31<sup>st</sup> March 2022 and its financial performance and cash flows for the years and period then ended in accordance with Cambodian Accounting Standards.

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

## STATEMENT OF THE CHIEF EXECUTIVE OFFICER

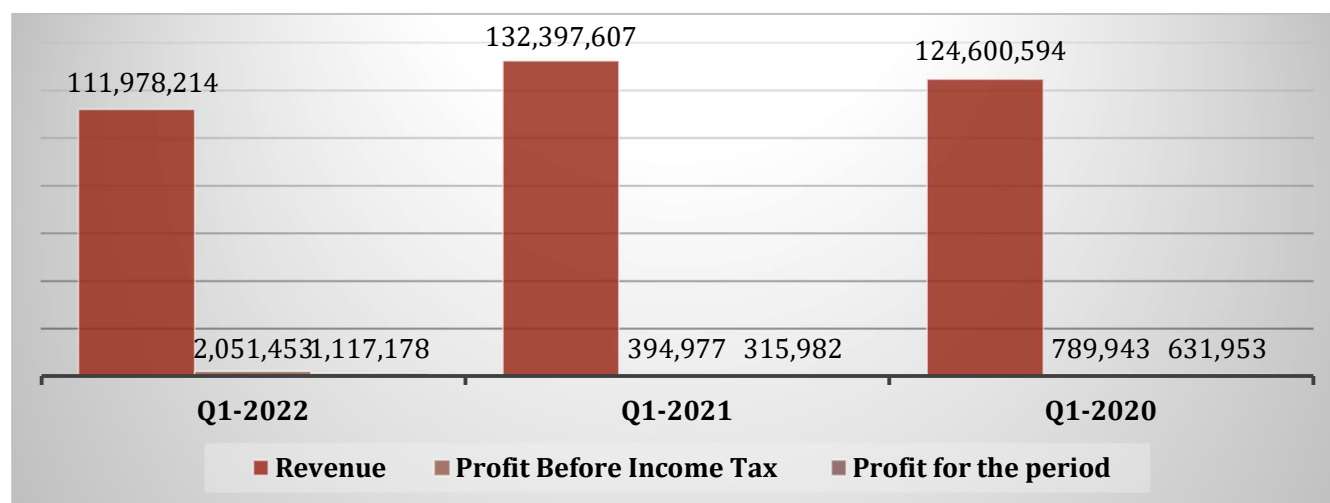


Mr. **Chen Tsung-Chi**  
Chief Executive Officer

I, the undersigned, the authorized representative of Grand Twins, have a great honored and pleasure to present our interim condensed financial report for Q1 of 2022 as at 31<sup>st</sup> March 2022. In this Q1 of 2022, the Company has generated total revenue of KHR 111,978 Millions (US27.581 Millions), and interpreted to profit before tax of KHR 2,051 Millions (USD505,284) and the profit after of KHR 1,117 Million (USD 275,167) respectively.

### Financial performance for Q1 of 2022 and Q1 of the previous years

(In KHR'000)



### Highlighted financial performance for Q1 of 2022

For Q1 of 2022, we have generated in total revenue of KHR 111,978 Millions (US27.581 Millions) in which the sale of products have accounted of KHR 111,978 Millions (US27.581 Millions). We had not generated the revenue from the subcontract and CPM for Q1 of 2022.

### Expectation for further quarters of 2022

For further quarters of 2022, 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: 13 May 2022  
Signature and stamp  
Chief Executive Officer

Mr. **Chen Tsung-Chi**

## CONTENTS

Vision, Mission, Business Strength, & Future Plans	i
Key Datas and Indicator for Q1 of 2022	iv
Composition of Board of Director	vii
Chairman Statement, Directors Valuation	ix
CEO Statement	xiii
<b>Section 1: General information of the Company</b>	
a. Company's Overview	1
b. Business's Overview	6
c. Significant Event in Q1 of 2021	18
<b>Section 2: Business performance of the Company</b>	<b>19</b>
a. Company Business Performance	20
b. Material Changes in business Operation	22
c. Revenue Source	25
<b>Section 3: Report on the review of condensed interim financial statements by the independent auditor</b>	<b>26</b>
<b>Section 4: Management Discussion and Analysis on Fianancial Condition</b>	<b>45</b>
a. Overview of Operations	46
b. Significant Factors Affecting Profit	53
c. Material Changes in Sale and Revenue	54
d. Impact of Foreign Exchange /Interest Rates I Commodity Prices	54
e. Impact of inflation	54
f. Government/ Economics/ Fiscal/ Monetary Policy	55
<b>Section 5 : Singificant information to protect the public investors</b>	<b>56</b>
<b>Directors' signature page</b>	<b>58</b>



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

## COMPANY OVERVIEW



Company Name in Khmer : **ក្រុមហ៊ុន ហ្វ្រង់តូ ធួន អ៊ិនធើណេសិនណល (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

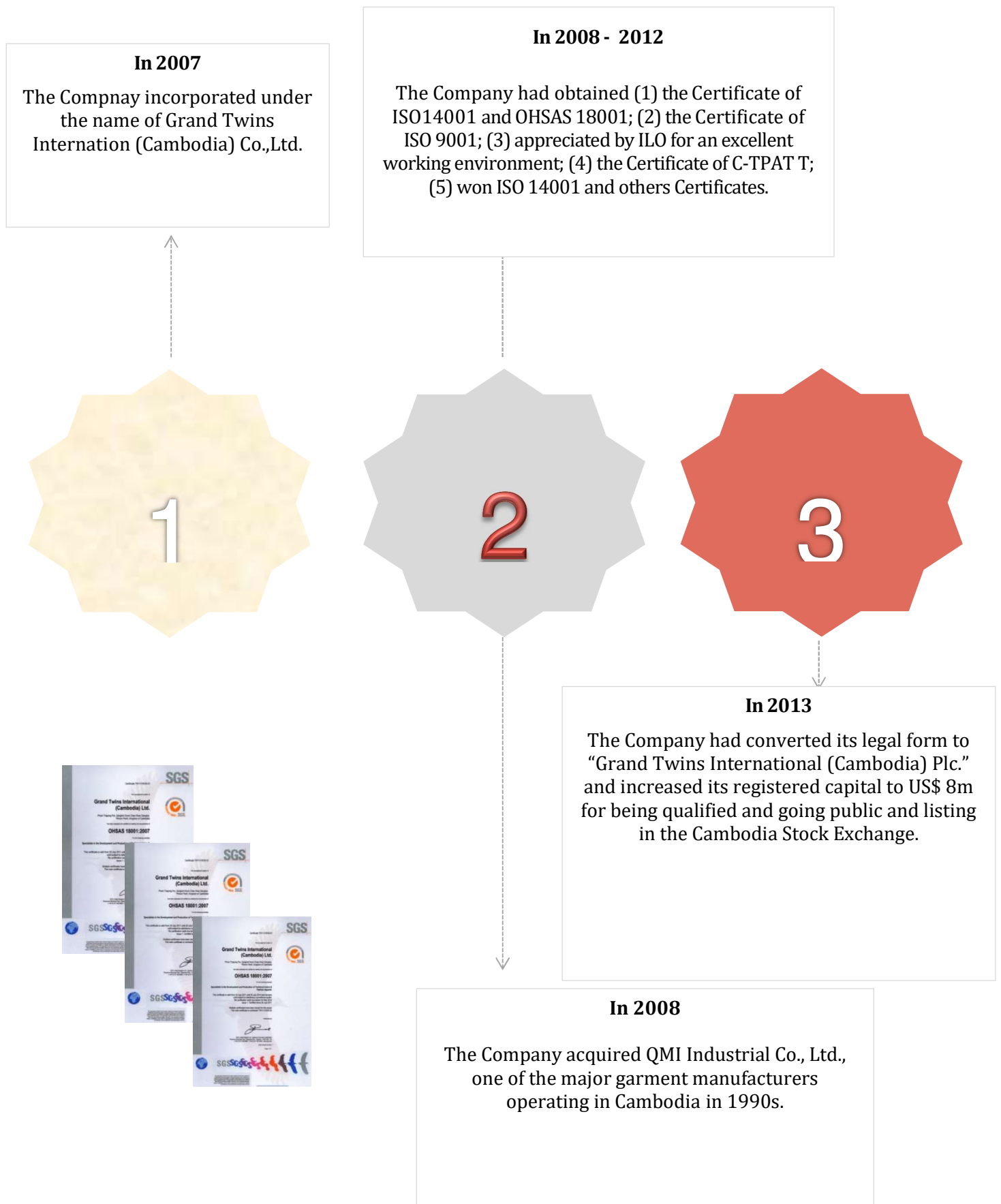
Date : N/A

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





**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 - 2021**

The board of directors had resolved and approved to distribute the 7<sup>th</sup> dividend in cash to the shareholders in September and the 7<sup>th</sup> General Meeting of the Shareholders was held on 29 September 2021.

## COMPANY 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 Q1 of 2022, Adidas constandly preserve as our major customer.

We purchases raw materials from Taiwan, China, Thailand and Vietnam. In Q1 of 2022, our export destinations include include countries in Europe 46%, United State 30%, Asia and other countries 24% of total revenue in Q1 of 2022. In Q1 of 2022, Europe 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 quarter ended 31 March 2022, GTI has 3,559 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 immediatly respond our clients required.

## Major customers

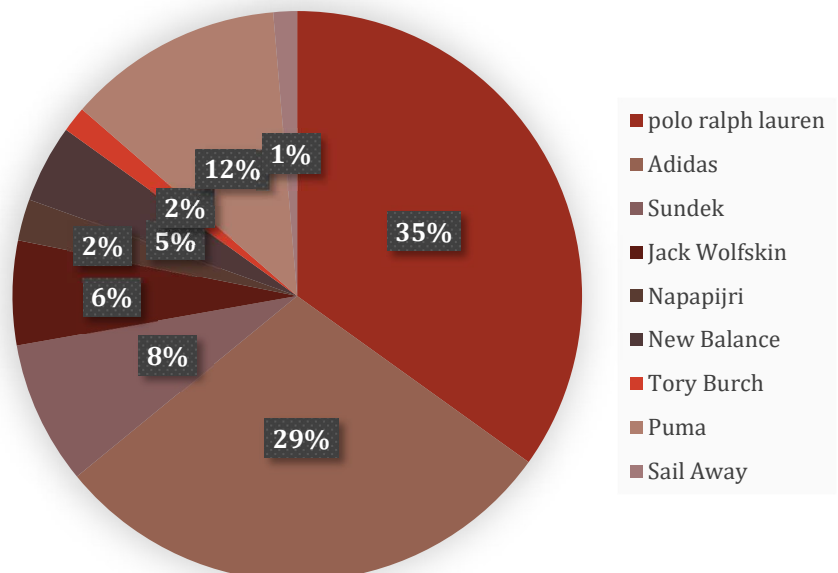
We have produced numerous sportswear for Adidas Group. As for Q1 of 2022, Adidas constantly preserves as our major customer. According to Adidas's Annual Report 2021 dated 09 March 2022, the result of 2021 was a much better year than 2020. On the back of successful vaccination campaigns around the globe, the worldwide economy started to recover. Sport returned to the global stage, with the UEFA EURO 2020 football tournament and the Tokyo 2020 Olympics finally taking place, creating huge excitement around the world. That said, the covid-19 pandemic continued to impact lives and businesses across the globe. At Adidas, we delivered a set of strong results despite heavy disruptions in supply and demand, with currency-neutral sales up 16% to more than € 21 billion and a net income from continuing operations of € 1.492 billion – an improvement of more than € 1 billion compared to the previous year. In addition, we launched our new 2025 strategy 'Own the Game' which will set us up for long-term success in this attractive industry.

The global outbreak of the coronavirus in 2020 continued to impact our store network in 2021 with a significant number of temporary store closures – both own and partner-operated, with some markets more heavily impacted than others. The pronounced traffic reduction within the store fleet had a negative impact on our sales development.

To meet the challenges we had to face in our business, we continued our focus on e-commerce, as the one fully operational store at all times. Through targeted consumer marketing, exclusive product launches, and prioritized supply chain management we continued our sales efforts to drive continued e-commerce growth even as the overall environment normalized and despite facing significantly higher sales compared to prior year periods. In 2021, we continued the rapid acceleration of digital tools and omni-channel services. We also leveraged our digital capabilities to allow for safe and convenient shopping experiences when stores reopened. Health and safety guidelines and processes were a priority to protect our staff and consumers and to ensure our consumers felt safe upon returning to our stores.

*(Source: Adidas's annual report 2021 dated 09 March 2022)*

Grand Twins's customers as in Q1 of 2022 as the following:



## 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.



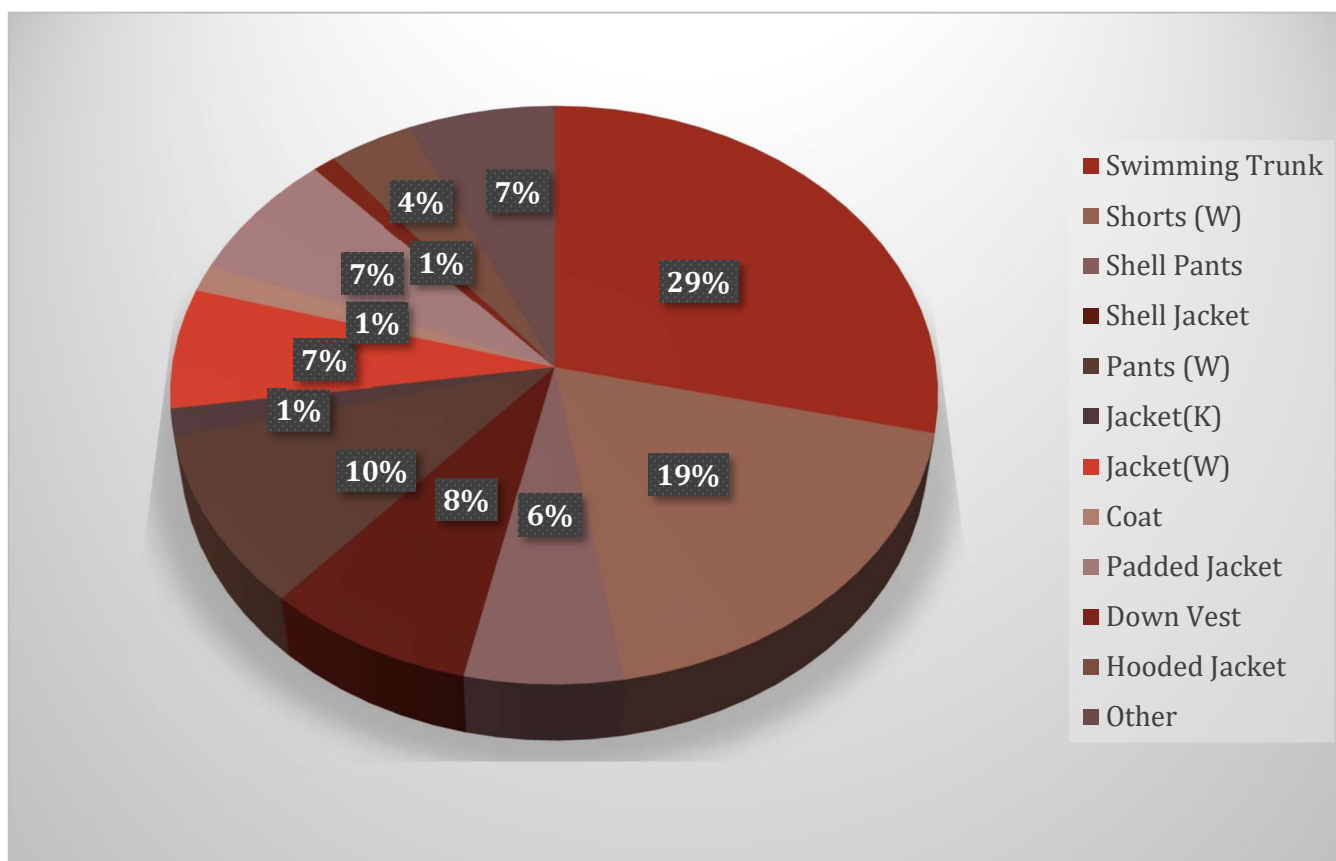
### Functional Clothing

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

**Sale volumn of mix products**

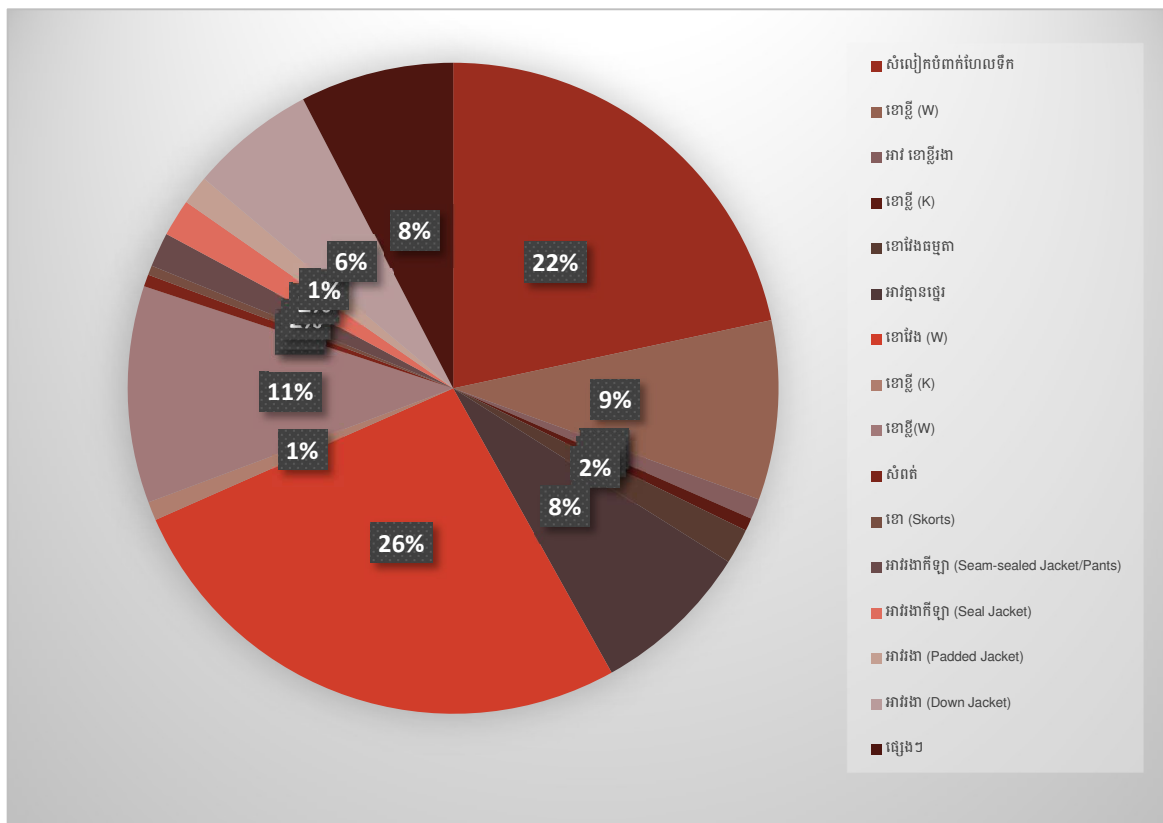
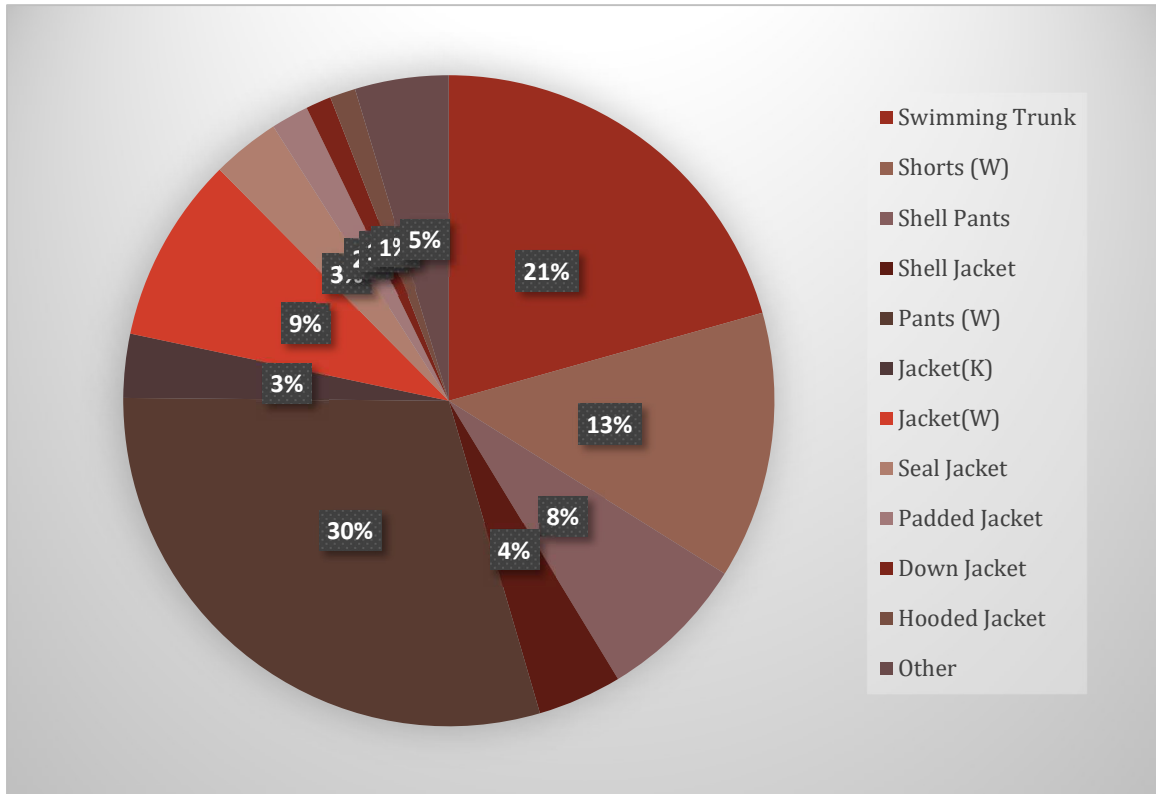
**Sale volume of mix products in the Q1 of 2022**

Description	Q1 of 2022 As at 31 <sup>st</sup> March 2022	
	Amount	%
Swimming Trunk	7,895,564	28.62%
Shorts (W)	5,167,977	18.73%
Shell Pants	1,685,536	6.11%
Shell Jacket	2,224,949	8.07%
Pants (W)	2,649,183	9.60%
Jacket(K)	438,989	1.59%
Jacket(W)	1,854,280	6.72%
Coat	417,274	1.51%
Padded Jacket	2,018,213	7.32%
Down Vest	291,125	1.06%
Hooded Jacket	1,066,545	3.87%
Other	1,877,833	6.81%
<b>Total Sale</b>	<b>27,587,467</b>	<b>100%</b>



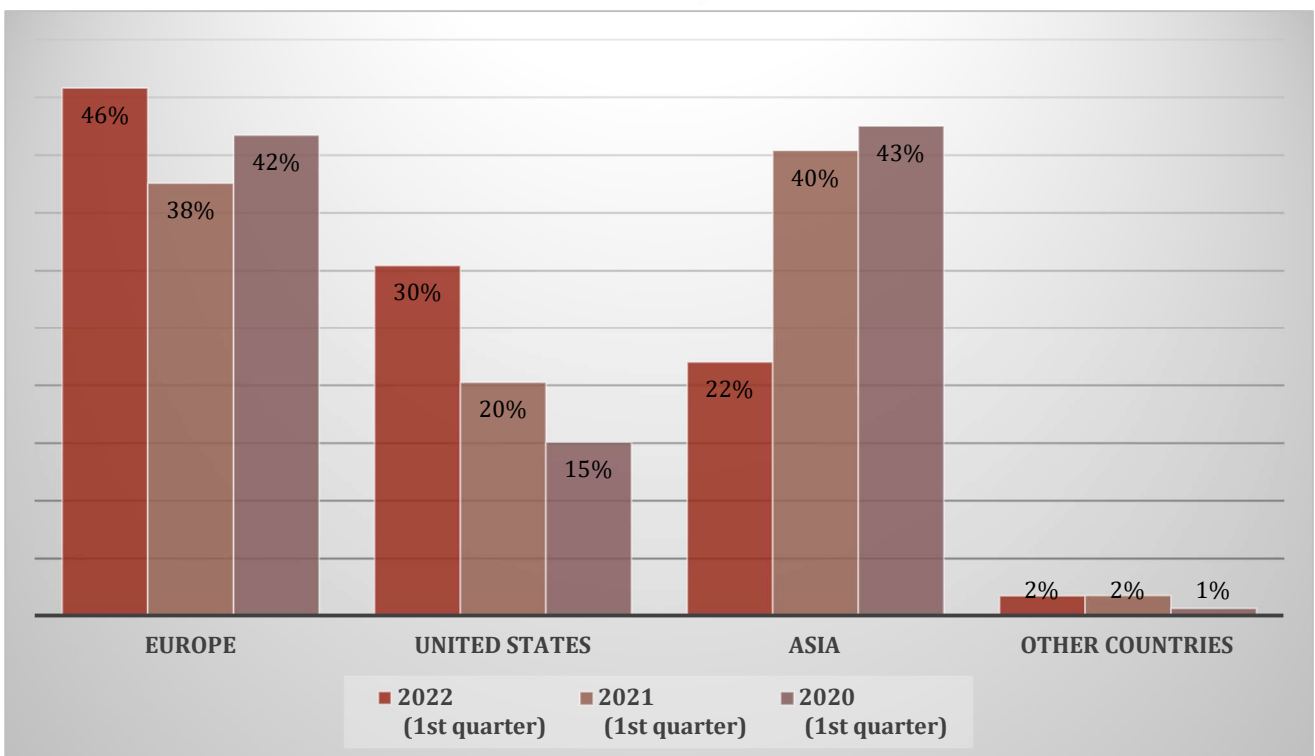


**Sale volume of mix products of the Q1 of 2021 and Q1 of 2020**



## 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. Europe is our main exporting region while compare to other countries.



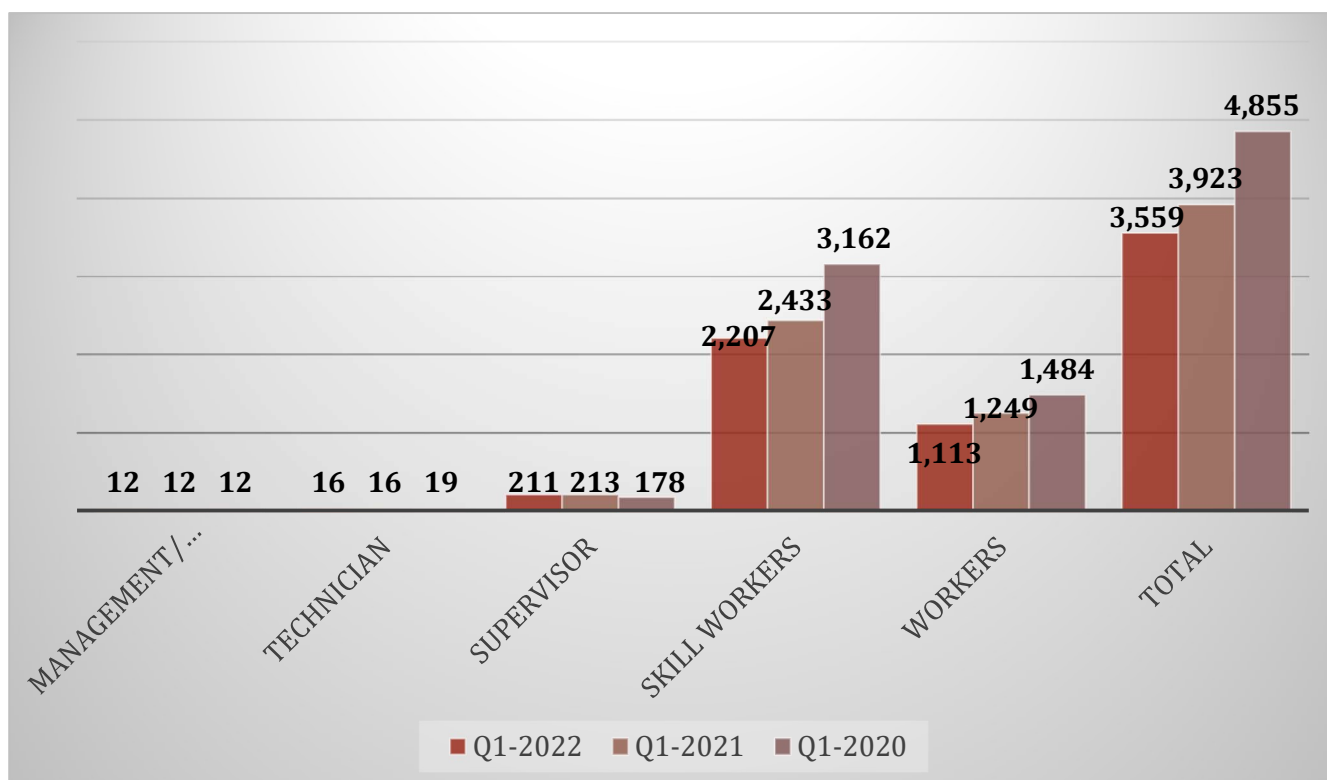


## Number of Full Time Employees

In the Q1 of 2022 as at 31<sup>st</sup> March 2022, we employ 3,559 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 the Q1 of 2022 as at 31<sup>st</sup> March 2022, Q1 of 2021 as at 31<sup>st</sup> March 2021 and Q1 of 2020 as at 31<sup>st</sup> March 2020:

Description	Q1-2022	Q1-2021	Q1-2020
Management/ Administration	12	12	12
Technician	16	16	19
Supervisor	211	213	178
Skill workers	2,207	2,433	3,162
Workers	1,113	1,249	1,484
<b>Total</b>	<b>3,559</b>	<b>3,923</b>	<b>4,855</b>



## 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, described 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.

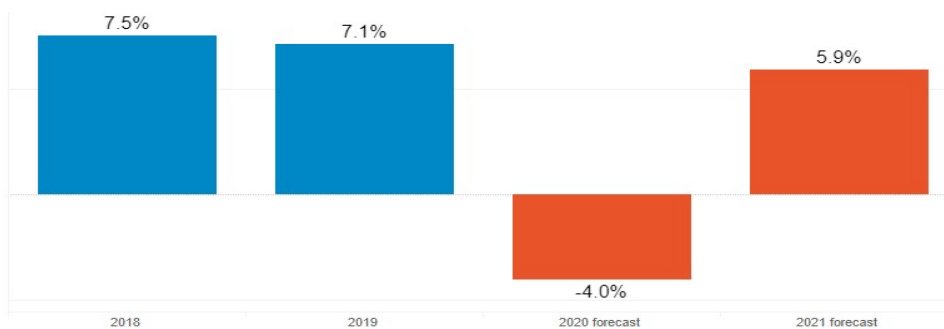
#### source:

- 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 lowwer thank in 2019 is still considered high and the economy remains strong.

### Cambodia GDP



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

For future aspect, cambodia's economic growth is continue to expand at a robust pasce as a redult of collaborating with trade partner such as United State and Thailand, which currently have small export volumn than Europe, as in tune with political uncertainty in the country. GDP was projected a growth of 4.0% in 2020 and forecase 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.

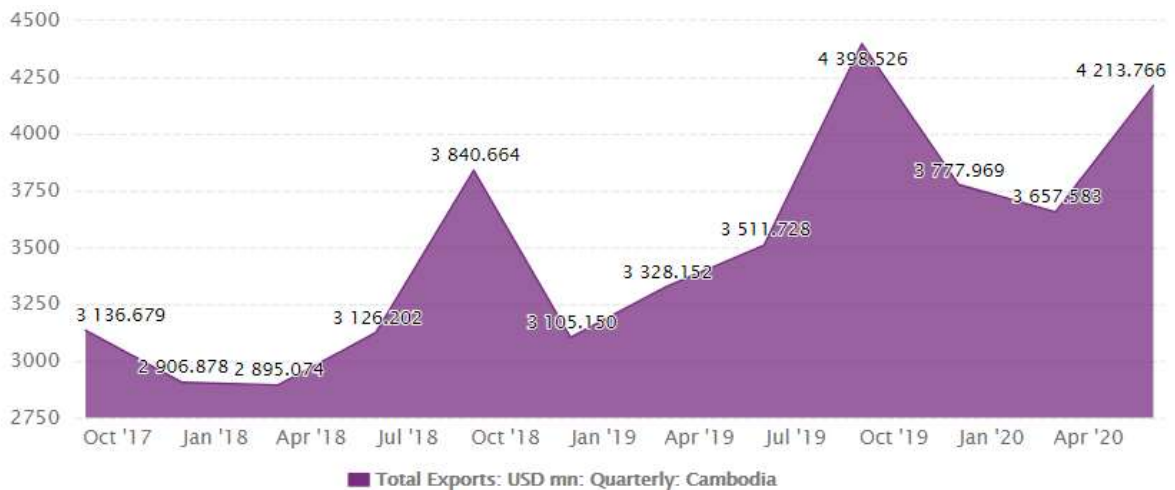
## Cambodia Export in 2020

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.

## ***Our competitiveness***

Our customers operate in a competitive market with an increasing number of local and international brands. However, although there are many different brand in the fashion and apparel market, not all brands are in direct competition dueto diffent market segmentation. We believe that our costomers 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 forming alliance with QMI Industrial Co., Ltd to purchase raw material. This alliance allows us to purchase raw material at 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 Charter Bank and HSBC Bank Since there is neither branch of this bank in Cambodia, QMT Industrial Co., Ltd has facilitated the payment for us.

### **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 pro~ des LDCs more favorable treatment than other developing country 2001, the European Umon adopted Regulation (EC) 416/2001, or the EBA (Everythmg But Aam) 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 Tikely 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 brand 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.

## **SIGNIFICANT EVENT IN THE FIRST QUARTER OF 2022**

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In Q1 of 2022 as at 31<sup>st</sup> March 2022, there is no further material events than events as disclosed in this Q1 of 2022.

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

## BUSINESS PERFORMANCE OF GRAND TWINS

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 Q1 of 2022 as at 31<sup>st</sup> March 2022, Q1 of 2021 as at 31<sup>st</sup> March 2021 and Q1 of 2020 as at 31<sup>st</sup> March 2020 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> March
2022 (1 <sup>st</sup> quarter)	4,001
2021 (1 <sup>st</sup> quarter)	4,003
2020 (1 <sup>st</sup> quarter)	4,005

*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 quarter ended, 31<sup>st</sup> March 2022 our revenue from sale of products accounted for 100% 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 Q1 of 2022, Q1 of 2021 and Q1 of 2020 set forth as below:

**Total revenue of Q1 of 2022 as at 31<sup>st</sup> March 2022**

**KHR111,978,214,000 approximately USD27,580,841**

**Revenue from sale of products**

**KHR111,978,214,000 approximately USD27,580,841**

presenting to **100%** of the total revenue

**Total revenue of Q1 of 2021 as at 31<sup>st</sup> March 2021**

KHR132,397,607,000 approximately USD32,731,176

**Revenue from sale of products**

KHR131,159,784,000 approximately USD32,425,163

presenting to **99.07%** of the total revenue

**Revenue from subcontract**

KHR1,237,823,000 approximately USD306,013

presenting to **0.93%** of the total revenue

**Total revenue of Q1 of 2020 as at 31<sup>st</sup> March 2020**

KHR 124,600,594,000 approximately USD30,667,141

**Revenue from sale of products**

KHR 122,712,164,000 approximately USD30,202,354 presenting **98.48%** of the total revenue

**Revenue from subcontract**

KHR 1,888,430,000 approximately USD464,787 presenting **1.52%** 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 Q1 of 2022 as at 31<sup>st</sup> March 2022, we don't have any loan from subsidiaries.

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

In the Q1 of 2022 as at 31<sup>st</sup> March 2022, we are not aware of any contingent liabilities or future contractual obligations other than the report for Q1 of 2022.

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

In the Q1 of 2022 as at 31<sup>st</sup> March 2022, 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 Q1 of 2022 as at 31<sup>st</sup> March 2022, 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 Q1 of 2022 as at 31<sup>st</sup> March 2022, we remain tax arrear in total KHR 389 Millions (USD96,147).

## **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.

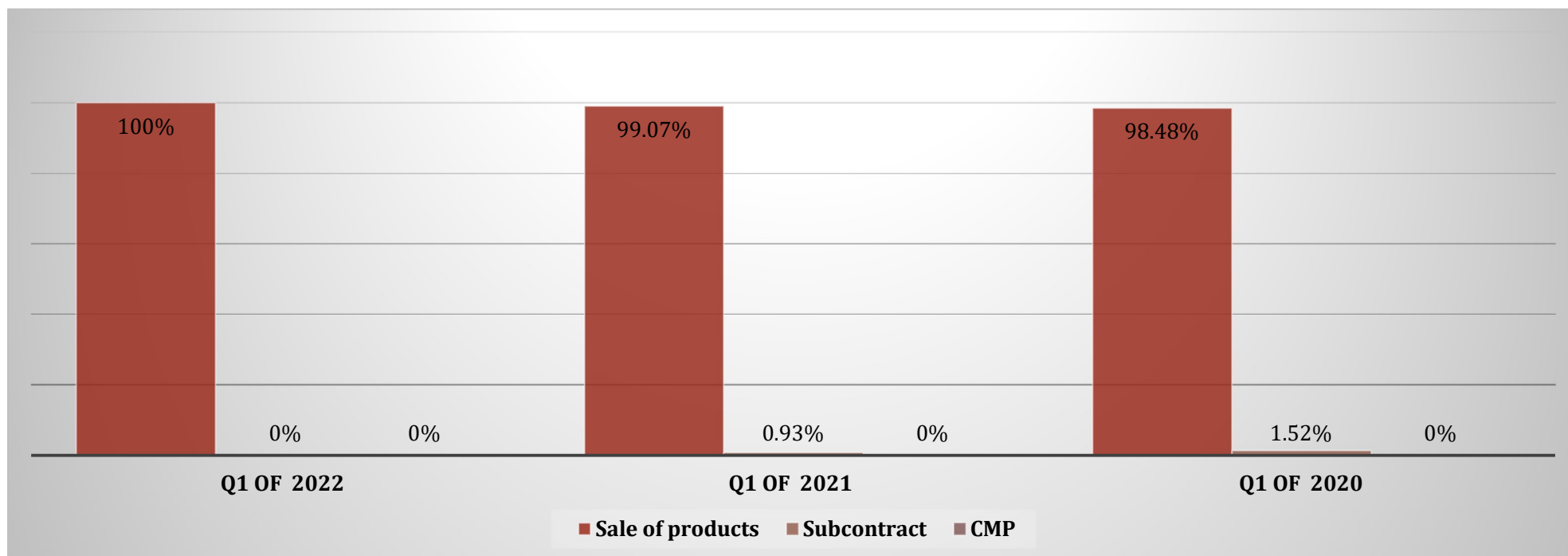
Our employees also receive non-leave bonuses of USD 20,000 (USD 5) in week and transportation allowance KHR 28,000 (USD 7), and seniority from KHR 8,000 (USD 2) to KHR 44,000 (USD 11) based on the length of their employment. In addition to these benefits, our employees also receive KHR 2,000 (USD 0.5) 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 2021, worker average salary in garment industry is USD192 and the increasing in salary expense will directly impact company performance in 2021. Forseen, salary will increase in consequently in further years.

## REVENUE SOURCES OF GRAND TWINS

Revenue Source	Q1 of 2022 As at 31 <sup>st</sup> March 2022		Q1 of 2021 As at 31 <sup>st</sup> March 2021		Q1 of 2020 As at 31 <sup>st</sup> March 2020	
	Amount	%	Amount	%	Amount	%
Sale of products	111,978,214	100%	131,159,784	99.07%	122,712,164	98.48%
Subcontract	-	-	1,237,823	0.93%	1,888,430	1.52%
CMP	-	-	-	-	-	-
<b>Total Revenue</b>	<b>111,978,214</b>	<b>100%</b>	<b>132,397,607</b>	<b>100%</b>	<b>124,600,594</b>	<b>100%</b>





**3. REPORT ON  
THE REVIEW OF CONDENSED INTERIM  
FINANCIAL STATEMENTS BY  
INDENPENT AUDITOR**

# Condensed Interim Financial Statements For the first quarter and 3 months of 2022 as at 31<sup>st</sup> March 2022



## REPORT ON THE REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

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

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

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[info@crowe.com.kh](mailto:info@crowe.com.kh)

We have reviewed the accompanying condensed interim financial statements of Grand Twins International (Cambodia) Plc (“the Company”), which comprise the condensed interim statement of financial position as at 31 March 2022, and the related condensed interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the period then ended, and accompanying explanatory notes (collectively known as “Condensed Interim Financial Statements”). The directors of the Company are responsible for the preparation and presentation of these Condensed Interim Financial Statements in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on the Condensed Interim Financial Statements based on our review.

#### Scope of review

We conducted our review in accordance with Cambodian International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Cambodian International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Interim Financial Statements of the Company are not prepared, in all material respects, in accordance with Cambodian International Accounting Standard 34 *Interim Financial Reporting*.

Crowe (KH) Co.,Ltd.



Onn Kien Hoe  
Director

Date 13 MAY 2022

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2022**

	Note	USD	Unaudited 31 March 2022 KHR'000 (Note 4)	USD	Audited 31 December 2021 KHR'000 (Note 4)
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	8	11,669,118	47,259,928	11,943,103	48,656,202
Intangible assets	9	2,911	11,790	3,150	12,833
		<u>11,672,029</u>	<u>47,271,718</u>	<u>11,946,253</u>	<u>48,669,035</u>
<b>CURRENT ASSETS</b>					
Inventories	10	25,455,808	103,096,022	26,907,390	109,620,707
Trade and other receivables	11	47,698,611	193,179,374	46,457,239	189,266,792
Cash and cash equivalents	12	613,082	2,482,982	1,950,806	7,947,584
		<u>73,767,501</u>	<u>298,758,378</u>	<u>75,315,435</u>	<u>306,835,083</u>
<b>TOTAL ASSETS</b>		<u>85,439,530</u>	<u>346,030,096</u>	<u>87,261,688</u>	<u>355,504,118</u>
<b>EQUITY AND LIABILITY</b>					
<b>EQUITY</b>					
Share capital	13	10,000,000	40,450,000	10,000,000	40,450,000
Share premium	14	17,280,000	69,897,600	17,280,000	69,897,600
Retained earnings		41,594,907	170,353,272	41,319,740	169,236,094
Currency translation difference		-	(1,757,499)	-	(108,353)
<b>TOTAL EQUITY</b>		<u>68,874,907</u>	<u>278,943,373</u>	<u>68,599,740</u>	<u>279,475,341</u>
<b>LIABILITIES</b>					
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities		96,147	389,395	96,147	391,703
Trade and other payables	15	360,000	1,458,000	450,000	1,833,300
		<u>456,147</u>	<u>1,847,395</u>	<u>546,147</u>	<u>2,225,003</u>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	15	8,281,759	33,541,124	10,278,243	41,873,563
Borrowings	16	7,663,059	31,035,389	7,774,957	31,675,175
Income tax liabilities		163,658	662,815	62,601	255,036
<b>Current liabilities</b>		<u>16,108,476</u>	<u>65,239,328</u>	<u>18,115,801</u>	<u>73,803,774</u>
<b>TOTAL LIABILITIES</b>		<u>16,564,623</u>	<u>67,086,723</u>	<u>18,661,948</u>	<u>76,028,777</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>85,439,530</u>	<u>346,030,096</u>	<u>87,261,688</u>	<u>355,504,118</u>

**CONDENSED INTERIM STATEMENT OF OF PROFIT OR LOSS AND  
COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2022**

	Note	USD	Unaudited 3 months to 31 March 2022 KHR'000 (Note 4)	USD	Unaudited 3 months to 31 March 2021 KHR'000 (Note 4)
Revenue	17	27,580,841	111,978,214	32,731,176	132,397,607
Cost of sales	18	(25,485,498)	(103,471,122)	(31,150,903)	(126,005,403)
<b>Gross profit</b>		2,095,343	8,507,092	1,580,273	6,392,204
Other income	19	80,760	327,886	77,466	313,350
Administrative expenses		(902,629)	(3,664,674)	(970,692)	(3,926,449)
Distribution costs		(677,455)	(2,750,467)	(482,688)	(1,952,473)
Other expenses		(902)	(3,662)	(16,056)	(64,947)
<b>Operating profit</b>		595,117	2,416,175	188,303	761,685
Finance income	19	578	2,347	427	1,727
Finance costs	20	(90,411)	(367,069)	(91,084)	(368,435)
<b>Profit before income tax</b>		505,284	2,051,453	97,646	394,977
Income tax expense	21	(230,117)	(934,275)	(19,529)	(78,995)
<b>Profit for the period</b>		275,167	1,117,178	78,117	315,982
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		275,167	1,117,178	78,117	315,982

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

	Notes	USD	Unaudited 3 months to 31 March 2022 KHR'000 (Note 4)	USD	Unaudited 3 months to 31 March 2021 KHR'000 (Note 4)
Basic earnings per share	23	0.007	0.028	0.002	0.008
Diluted earnings per share	23	0.007	0.028	0.002	0.008

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**

## FOR THE PERIOD ENDED 31 MARCH 2022

	Note	Share capital	Share premium	Retained earnings	Total equity	
		USD	USD	USD	USD	KHR'000 (Note 4)
Balance as at 1 January 2022 (Audited)		10,000,000	17,280,000	41,319,740	68,599,740	279,475,341
Profit for the quarter		-	-	275,167	275,167	1,117,178
Currency translation difference		-	-	-	-	(1,649,146)
Balance as at 31 March 2022 (USD) (Unaudited)		<u>10,000,000</u>	<u>17,280,000</u>	<u>41,594,907</u>	<u>68,874,907</u>	<u>278,943,373</u>
Balance as at 1 January 2021 (Audited)		10,000,000	17,280,000	41,682,835	68,962,835	278,954,667
Profit for the quarter		-	-	78,117	78,117	315,982
Dividend paid	22	-	-	(500,000)	(500,000)	(2,000,000)
Currency translation difference		-	-	-	-	(22,499)
Balance as at 31 March 2021 (USD) (Unaudited)		<u>10,000,000</u>	<u>17,280,000</u>	<u>41,260,952</u>	<u>68,540,952</u>	<u>277,248,150</u>

**CONDENSED INTERIM STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 31 MARCH 2022**

	Note	Unaudited 3 months to 31 March 2022 USD	Unaudited 3 months to 31 March 2022 KHR'000 (Note 4)	Unaudited 3 months to 31 March 2021 USD	Unaudited 3 months to 31 March 2021 KHR'000 (Note 4)
<b>Operating activities</b>					
Profit before income tax		505,284	2,051,453	97,646	394,977
Adjustments for:					
Amortisation of intangible assets	9	239	970	403	1,630
Depreciation of property, plant and equipment	8	277,940	1,128,436	315,011	1,274,219
Interest expense	20	90,411	367,069	91,084	368,435
Interest income		(578)	(2,347)	(427)	(1,727)
Operating profit before working capital		873,296	3,545,581	503,717	2,037,534
Changes in working capital:					
- inventories		1,451,582	5,878,907	591,953	2,394,450
- trade and other receivables		(1,241,372)	(5,027,557)	1,570,748	6,353,676
- trade and other payables		(2,086,484)	(8,450,260)	(1,899,078)	(7,681,771)
Cash generated from operating activities		(1,002,978)	(4,053,329)	767,340	3,103,889
Income tax paid		(129,060)	(522,693)	(68,686)	(277,835)
Net cash from operating activities		(1,132,038)	(4,576,022)	698,654	2,826,054
<b>Investing activities</b>					
Purchases of property, plant and equipment	8	(3,955)	(16,018)	(61,094)	(247,125)
Interest received		578	2,347	427	1,727
Net cash used in investing activities		(3,377)	(13,671)	(60,667)	(245,398)
<b>Financing activities</b>					
Interest paid	20	(90,411)	(367,069)	(91,084)	(368,435)
Repayment of bank borrowings	16	(111,898)	(453,187)	(7,167,865)	(28,994,014)
Drawdown of borrowings	16	-	-	7,060,000	28,557,700
Dividend paid	22	-	-	(500,000)	(2,000,000)
Net cash used in financing activities		(202,309)	(820,256)	(698,949)	(2,804,749)
Net change in cash and cash equivalents		(1,337,724)	(5,409,949)	(60,962)	(224,093)
Cash and cash equivalents, at the beginning of period		1,950,806	7,947,584	974,600	3,942,257
Currency translation difference		-	(54,653)	-	(22,498)
Cash and cash equivalents, at the end of period		613,082	2,482,982	913,638	3,695,666

## **NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022**

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### **1. GENERAL INFORMATION**

Grand Twins International (Cambodia) Plc (“the Company”) was registered on 15 November 2007 as a private limited liability company in the Kingdom of Cambodia. On 19 February 2013, the Company made amendments to its Articles of Incorporation to change to a public limited company. On 16 June 2014, the Company was listed on the Cambodia Securities Exchange.

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

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

### **2. PRINCIPAL ACTIVITY**

The principal activity of the Company is the manufacturing of garments. There have been no significant changes in the nature of this activity during the financial period.

### **3. BASIS OF PREPARATION**

The condensed interim financial statements are as at and for the period ended 31 March 2022. They have been prepared in accordance with Cambodian International Accounting Standard 34 ‘Interim Financial Reporting’ (“CIAS 34”). They do not include all of the information required in the annual financial statements in accordance with Cambodian International Financial Reporting Standards (“CIFRSs”), and should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and notes to the condensed interim financial statements.

### **4. FUNCTIONAL AND PRESENTATION CURRENCY**

The national currency of Cambodia is the Khmer Riel (“KHR”). However, as the Company transacts its business and maintains its accounting records primarily in United States Dollars (“USD”), Management has determined the USD to be the Company’s for measurement and presentation purpose as it reflects the economic substance of the underlying events and circumstances of the Company.

Transactions in foreign currencies other than USD are translated to USD at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than USD at the reporting date are translated into USD at the rates of exchange ruling at that date.

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 KHR4,060 for the quarter ended 31 March 2022 (31 March 2021: KHR4,045) and closing rate USD1 to KHR4,050 as at 31 March 2022 (31 March 2021: KHR4,045) as announced by the National Bank of Cambodia (“NBC”). These translations are unaudited and should not be construed as representations that the USD amounts have been, could have been, or could in the future be, converted into KHR at this or any other rate of exchange.



## 5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2021.

## 6. SEASONALITY OR CYCLICALITY OF OPERATION

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

## 7. USE OF ESTIMATES AND JUDGEMENTS

When preparing the interim condensed financial statements, Management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by Management, and will seldom equal the estimated results

## 8. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land USD	Building and structures USD	Plant and machineries USD	Motor vehicles USD	Equipment and computers USD	Total USD
<b>Unaudited</b>						
Cost						
Balance at 1 January 2022	3,880,000	8,971,311	18,370,664	86,400	1,993,698	33,302,073
Addition	-	-	-	-	3,955	3,955
Balance at 31 March 2022	3,880,000	8,971,311	18,370,664	86,400	1,997,653	33,306,028
Accumulated depreciation						
Balance at 1 January 2022	(388,000)	(5,881,983)	(13,158,164)	(84,298)	(1,846,525)	(21,358,970)
Depreciation	(9,600)	(58,139)	(199,728)	(303)	(10,170)	(277,940)
Balance at 31 March 2022	(397,600)	(5,940,122)	(13,357,892)	(84,601)	(1,856,695)	(21,636,910)
Carrying amount at 31 March 2022 (USD)	3,482,400	3,031,189	5,012,772	1,799	140,958	11,669,118
KHR'000 (Note 4)	14,103,720	12,276,315	20,301,727	7,286	570,880	47,259,928
<b>Audited</b>						
Cost						
Balance at 1 January 2021	3,880,000	8,971,311	18,118,369	109,550	1,970,925	33,050,155
Additions	-	-	252,295	-	34,736	287,031
Disposal	-	-	-	(23,150)	(11,963)	(35,113)
Balance at 31 December 2021	3,880,000	8,971,311	18,370,664	86,400	1,993,698	33,302,073
Accumulated depreciation						
Balance at 1 January 2021	(349,200)	(5,649,429)	(12,197,894)	(105,525)	(1,801,638)	(20,103,686)
Depreciation	(38,800)	(232,554)	(960,270)	(1,660)	(56,232)	(1,289,516)
Disposal	-	-	-	22,887	11,345	34,232
Balance at 31 December 2021	(388,000)	(5,881,983)	(13,158,164)	(84,298)	(1,846,525)	(21,358,970)
Carrying amount at 31 December 2021 (USD)	3,492,000	3,089,328	5,212,500	2,102	147,173	11,943,103
KHR'000 (Note 4)	14,226,408	12,585,922	21,235,725	8,564	599,583	48,656,202

## 9. INTANGIBLE ASSETS

	Computer software	
	Unaudited 2022 USD	Audited 2021 USD
Cost		
Balance at 1 March/31 December	<u>224,957</u>	<u>224,957</u>
Accumulated amortisation		
Balance at 1 January	(221,807)	(220,195)
Amortisation	<u>(239)</u>	<u>(1,612)</u>
Balance at 31 March/December	<u>(222,046)</u>	<u>(221,807)</u>
Carrying amount at 31 March/December	<u>2,911</u>	<u>3,150</u>
KHR'000 (Note 4)	<u>11,790</u>	<u>12,833</u>

## 10. INVENTORIES

	Unaudited 31 March 2022		Audited 31 December 2021	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Raw materials	11,677,513	47,293,928	13,385,572	54,532,820
Work-in-progress	7,851,667	31,799,251	8,274,748	33,711,323
Finished goods	<u>5,926,628</u>	<u>24,002,843</u>	<u>5,247,070</u>	<u>21,376,564</u>
	<u>25,455,808</u>	<u>103,096,022</u>	<u>26,907,390</u>	<u>109,620,707</u>
Recognised in profit or loss:-				
Impairment loss on inventories	-	-	379,106	1,544,478

## 11. TRADE AND OTHER RECEIVABLES

	Unaudited 31 March 2022		Audited 31 December 2021	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Trade receivables				
Amount due from related party				
QMI Industrial Co., Ltd.	<u>44,496,028</u>	<u>180,208,913</u>	<u>43,340,486</u>	<u>176,569,140</u>
Other receivables				
Amount due from related parties				
Quint Major Industrial Co., Ltd.	26,648	107,924	26,648	108,564
QMI Industrial Co., Ltd.	15,092	61,123	11,049	45,014
Value-added tax receivables	1,348,434	5,461,158	1,291,151	5,260,149
Prepayments				
QMI Industrial Co., Ltd.	-	-	5,000	20,370
Quint Major Industrial Co., Ltd.	-	-	2,760	11,244
Other third parties	<u>1,812,409</u>	<u>7,340,256</u>	<u>1,780,145</u>	<u>7,252,311</u>
	<u>3,202,583</u>	<u>12,970,461</u>	<u>3,116,753</u>	<u>12,697,652</u>
	<u>47,698,611</u>	<u>193,179,374</u>	<u>46,457,239</u>	<u>189,266,792</u>

## 12. CASH AND CASH EQUIVALENTS

	Unaudited 31 March 2022		Audited 31 December 2021	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Cash on hand	98,011	396,945	38,926	158,585
Cash in banks	<u>515,071</u>	<u>2,086,037</u>	<u>1,911,880</u>	<u>7,788,999</u>
	<u>613,082</u>	<u>2,482,982</u>	<u>1,950,806</u>	<u>7,947,584</u>

### 13. SHARE CAPITAL

	Unaudited 31 March 2022		Audited 31 December 2021	
	Shares	USD	Shares	USD
Ordinary shares of USD 0.25 each Authorised	200,000,000	50,000,000	200,000,000	50,000,000
Issued and fully paid: KHR'000 (Note 4)	40,000,000	10,000,000	40,000,000	10,000,000
	-	40,450,000	-	40,450,000

### 14. SHARE PREMIUM

The share premium represents the excess amount received by the Company over the par value of its shares pursuant to the issuance of 1,123,810 and 6,876,190 new ordinary shares of USD0.25 each to the Cambodian public and selected investor, respectively, at an issue price of USD2.41 per share on 16 June 2014.

### 15. TRADE AND OTHER PAYABLES

	Unaudited 31 March 2022		Audited 31 December 2021	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
<b>Non-current</b>				
Other payables	360,000	1,458,000	450,000	1,833,300
<b>Current</b>				
Trade payables	1,148,425	4,651,121	1,822,936	7,426,641
Amounts due to related parties				
Quint Major Industrial Co., Ltd	5,645,913	22,865,948	6,398,414	26,067,139
QMI Industrial Co., Ltd	30,489	123,480	9,023	36,760
Accruals	1,107,273	4,484,456	1,695,702	6,908,290
Withholding tax payables	330,845	1,339,922	330,845	1,347,863
Other payables	18,814	76,197	21,323	86,870
	8,281,759	33,541,124	10,278,243	41,873,563
	8,641,759	34,999,124	10,728,243	43,706,863

### 16. BORROWINGS

	Unaudited 31 March 2022		Audited 31 December 2021	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Short-term loans				
First Commercial Bank (Note 16.1)	6,400,000	25,920,000	6,400,000	26,073,600
Taiwan Cooperative Bank (Note 16.2)	1,263,059	5,115,389	1,374,957	5,601,575
	7,663,059	31,035,389	7,774,957	31,675,175

#### 16.1. Term loan with the First Commercial Bank

With reference to a loan agreement dated 28 June 2016, the Company was provided with a short-term loan of up to USD 6,400,000 (revolving loan) by First Commercial Bank, Phnom Penh Branch. The term of the loan is for one year and the maturity date is specified in each promissory note. The annual interest on the loan is the floating rate of nine months LIBOR rate plus 4.2%  $\geq$  5%. Interest is calculated on the basis of 360 days per year and payable on a monthly basis.

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

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

The loan was renewed on 6 November 2020 for one-year term. The interest is the floating rate of six months Libor rate Plus 3%  $\geq$  5% per annum. Monthly interest payable is calculated on the basis of 360 days per year.

The Company has signed the new loan agreement with the term 5 years, which starting from 30 March 2022 to 29 March 2027. The annual interest rate is the fixed rate of 4.85% and the monthly interest payable is calculated on the basis 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.

For the three-month period to 31 March 2022, there is no payment on the principal amount (2021: USD7,060,000) and no drawn down made by the Company (2021: USD7,060,000).

#### 16.2. Term loan with the Taiwan Cooperative Bank

The Company entered into a loan agreement with the Taiwan Cooperative Bank on 6 November 2017 for USD3,000,000 payable over 84 months starting from the date of first drawdown. On 29 November 2017 and 22 December 2017, the Company drawn down USD2,000,000 and USD1,000,000, respectively.

The annual interest rate of the loan is six months LIBOR rate plus 3.5795%. Interest is payable on a monthly basis, starting from the date of loan disbursement.

The term loan is secured by the following:

- i. Letter of guarantee by Mr. Yang Shaw Shin, Director of the Company;
- ii. First-rank hypothec over the real properties owned by Mr. Yang Shaw Shin (including land(s) and all constructions) as follows:
  - Certificate of land title 005315 (Ixii 0019/21090908-0001) issued on 27 February 2014 of 226,697m<sup>2</sup>, locate at Phum Chorm Pol, Khum Porpel, Srok Tram Kak, Takeo province, Cambodia
  - Certificate of land title 005366 (Ixii 0020/21090908-0002) issued on 23 July 2014 of 14,871 m<sup>2</sup>, locate at Phum Chorm Pol, Khum Porpel, Srok Tram Kak, Takeo province, Cambodia.

For the three-month period to 31 March 2022, the Company paid the principal amounting to USD111,898 (2021: USD107,865).

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

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

The Company has not met the return on equity ratio covenant for the financial year ended 31 December 2021. As at 31 March 2022, the Company's return on equity is 0.40% for the

3 months period ended on that date. The Company has not applied nor obtained any dispensation from the lender for the breach of the loan covenant. In view of this, the loan has been classified as current liabilities as the lender has the right to recall the loan due to the breach.

## 17. REVENUE

	USD	Unaudited 3 months to 31 March 2022 KHR'000 (Note 4)	USD	Unaudited 3 months to 31 March 2021 KHR'000 (Note 4)
Sale of goods	27,580,841	111,978,214	32,425,163	131,159,784
Subcontract revenue	-	-	306,013	1,237,823
	<u>27,580,841</u>	<u>111,978,214</u>	<u>32,731,176</u>	<u>132,397,607</u>

### 17.1. Disaggregated revenue information

	USD	Unaudited 3 months to 31 March 2022 KHR'000 (Note 4)	USD	Unaudited 3 months to 31 March 2021 KHR'000 (Note 4)
Revenue from contracts with customers	<u>27,580,841</u>	<u>111,978,214</u>	<u>32,731,176</u>	<u>132,397,607</u>
Timing of revenue recognition: Point in time	<u>27,580,841</u>	<u>111,978,214</u>	<u>32,731,176</u>	<u>132,397,607</u>

## 18. COST OF SALES

	USD	Unaudited 3 months to 31 March 2022 KHR'000 (Note 4)	USD	Unaudited 3 months to 31 March 2021 KHR'000 (Note 4)
Direct materials	20,665,700	83,902,742	23,273,570	94,141,591
Direct labour	2,189,328	8,888,672	2,104,156	8,511,311
Overhead	2,630,470	10,679,708	5,773,177	23,352,501
	<u>25,485,498</u>	<u>103,471,122</u>	<u>31,150,903</u>	<u>126,005,403</u>

## 19. OTHER INCOME

	USD	Unaudited 3 months to 31 March 2022 KHR'000 (Note 4)	USD	Unaudited 3 months to 31 March 2021 KHR'000 (Note 4)
Interest income	578	2,347	427	1,727
Rental income	72,675	295,061	67,737	273,996
Realised foreign exchange gain	1,012	4,109	9,067	36,676
Sale of waste	6,627	26,906	-	-
Others	446	1,810	662	2,678
	<u>81,338</u>	<u>330,233</u>	<u>77,893</u>	<u>315,077</u>

## 20. FINANCE COSTS

This amount represents interest expense on borrowings.

## 21. INCOME TAX EXPENSE

Under the Cambodian Law on Taxation, the Company has an obligation to pay tax on income at the rate of 20% of the taxable income or a minimum tax, whichever is higher.

The minimum tax is calculated at the rate of 1% of the annual turnover inclusive of all taxes. The prepayment of tax on income is temporarily suspended until the end of year 2022 in accordance with Prakas No. 1130MEF.Prk dated on 27 October 2017 issued by the Ministry of Economy and Finance.

Please refer to Note 27 for the explanation on the tax contingencies in Cambodia.

## 22. DIVIDENDS

	Unaudited 3 months to 31 March 2022		Unaudited 3 months to 31 March 2021	
	Dividend Per share KHR	Amount of Dividend KHR'000	Dividend Per share KHR	Amount of Dividend KHR'000
Dividend paid	-	-	50	2,000,000

On 22 January 2021, the dividend payment of KHR 50 per share, amounting to a total dividend payment of KHR2,000million (equivalent to USD500,000) in respect of the financial year ended 31 December 2019 has been approved by the shareholders. The dividend was paid on 5 February 2021.

## 23. EARNINGS PER SHARE

	Unaudited 3 months to 31 March 2022		Unaudited 3 months to 31 March 2021	
	USD	KHR'000 (Note 4)	USD	KHR'000 (Note 4)
Profit attributable to ordinary equity holders	275,167	1,117,178	78,117	315,982
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	0.028	0.002	0.008
Diluted earnings per share	0.007	0.028	0.002	0.008

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company had no dilutive potential ordinary shares as at the periods ended. As such, the diluted earnings per share were equivalent to the basic earnings per share.

## 24. RELATED PARTY BALANCES AND TRANSACTIONS

The following balances are outstanding with related parties:

	Relationship		31 March 2022		31 December 2021	
			USD	KHR'000	USD	KHR'000
Amounts due from						
QMI Industrial Co., Ltd	Common control	Trade receivables	44,496,028	180,208,913	43,340,486	176,569,140
		Non-trade receivables	15,092	61,123	16,049	65,384
Quint Major Industrial Co., Ltd.	Common control	Trade receivables	26,648	107,924	26,648	108,564
		Non-trade receivables	-	-	2,760	11,244
			<u>44,537,768</u>	<u>180,377,960</u>	<u>43,385,943</u>	<u>176,754,332</u>

Amounts due to

Quint Major Industrial Co., Ltd	Common control	Trade payables	5,645,913	22,865,948	6,398,414	26,067,139
QMI Industrial Co., Ltd	Common control	Trade payables	30,489	123,480	9,023	36,760
			<u>5,676,402</u>	<u>22,989,428</u>	<u>6,407,437</u>	<u>26,103,899</u>

The outstanding balances are unsecured, free of interest with no fixed terms of repayment.

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

	USD	Unaudited 3 months to 31 March 2022 KHR'000 (Note 4)	USD	Unaudited 3 months to 31 March 2021 KHR'000 (Note 4)
<u>Under common control</u>				
QMI Industrial Co., Ltd				
Sales of goods	27,580,840	111,978,210	13,275,881	53,700,940
Sale of waste	6,627	26,906	-	-
Purchases of raw materials	14,286,925	58,004,916	20,144,878	81,486,033
Purchases of machinery and equipment	3,475	14,109	16,225	65,630
Cash collection	12,145,000	49,308,700	13,676,422	55,321,126
Offset with trade payables	14,286,925	58,004,916	20,144,878	81,486,033
Payments on behalf for the Company	4,043	16,415	10,850	43,887
Payments on behalf by the Company	21,466	87,152	51,156	206,925
Advances to the Company	120,000	487,200	632,000	2,556,440
Repayment of advances by the Company	127,760	518,706	302,500	1,223,613
Quint Major Industrial Co., Ltd.				
Subcontract cost	3,297,499	13,387,846	3,624,720	14,661,993
Rental of machinery	72,676	295,065	67,737	273,995
Repayment	4,050,000	16,443,000	4,570,000	18,485,650
Payments on behalf for the Company	-	-	13,862	56,073
Repayment of advances by the Company	-	-	66,568	269,269

## 25. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

	USD	Unaudited 31 March 2022 KHR'000	USD	Audited 31 December 2021 KHR'000
Financial assets Amortised cost				
Trade and other receivables*	44,537,768	180,377,960	43,378,183	176,722,718
Cash and cash equivalents	613,082	2,482,982	1,950,806	7,947,584
	45,150,850	182,860,942	45,328,989	184,670,302

\* Excludes prepayments and VAT receivables.

	USD	Unaudited 31 March 2022 KHR'000	USD	Audited 31 December 2021 KHR'000
Financial liabilities Amortised cost				
Trade and other payables**	8,310,914	33,659,202	10,397,398	42,358,999
Borrowings	7,663,059	31,035,389	7,774,957	31,675,175
	15,973,973	64,694,591	18,172,355	74,034,174

\*\* Excludes withholding tax payables.

## 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 directors are responsible for setting the objectives and underlying principles of financial risk management for the Company. The Management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits in accordance with the objectives and underlying principles approved by the Directors.

### **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 Management.

### **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 for the next twelve months.

### **26.3 Interest rate risk**

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

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

## **27. TAXATION CONTINGENCIES**

The taxation system in Cambodia is relatively new and is characterised by numerous taxes and frequently changing legislation, which is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities who are enabled by law to impose severe fines, penalties and interest charges. These facts may create tax risks in Cambodia substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of current tax legislations. However, the relevant authorities may have differing interpretations and the effects could be significant.



## **28. COMMITMENT**

At the end of the current financial period, the Company has a commitment for capital expenditure in respect of the purchase of new research office units from TACC (C.R) Ltd amounting to USD5,913,044 (31 December 2021: USD5,913,044). As of 31 March 2022, the construction of the building where the research office will be located is still in progress.

## **29. SIGNIFICANT EVENT DURING THE REPORTING PERIOD**

There is no significant event during the reporting period.

## **30. EVENT AFTER THE REPORTING PERIOD**

There is no significant adjusting or non-adjusting event that has occurred between 31 March 2022 and the date of authorisation of the Condensed Interim Financial Statements.

## **31. AUTHORISATION OF THE CONDENSED INTERIM FINANCIAL STATEMENTS**

The Condensed Interim Financial Statements as at and for the period ended 31 March 2022 were approved for issue by the Board of Directors on 13 March 2022.

# **IV. 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> March 2022, 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 Q1 of 2022 as at 31<sup>st</sup> March 2022, amounted to KHR111,978 Millions (USD27.581 Millions). This revenue has decreased KHR20,419 Millions (USD5.150 Millions) presented 15.42% declined by compared to total revenue KHR132,398 Millions (USD32,731 Millions) in Q1 of 2021 as at 31<sup>st</sup> March 2021. Therefore the revenue in Q1 of 2021 as at 31<sup>st</sup> March 2021, amounted to KHR132,398 Millions (USD32,731 Millions). This revenue has increased KHR7,797 Millions (USD2,064 Millions) presented 6,26% declined by compared to total revenue KHR124,601 Millions (USD30,667 Millions) in Q1 of 2020 as at 31<sup>st</sup> March 2020.

According to the World Bank, global GDP will grow by 3.9% in 2019, by 4.5% in 2020 and expected by 5.6% in 2021. Therefore, Europe GDP will be expected by 24.73% and US GDP by 6.8% in 2021, 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 2021.

In January 2021, a new policy on average salary for garment workers was USD 192 had taken to effective from 1<sup>st</sup> January 2021 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 Q1 of 2022 as at 31<sup>st</sup> March 2022, Grand Twins had generated total revenue of KHR111,978 Millions (USD27.581 Millions) in which the Company had generated the revenue derived from sale of product of KHR111,978 Millions (USD27,581 Millions). Grand Twins had not generated the revenue from CMP, nor subcontract in Q1 of 2022 as at 31<sup>st</sup> March 2022.

Revenue from sale of products in Q1 of 2022 as at 31<sup>st</sup> March 2022 amounted KHR111,978 Millions (USD27.581 Millions), that has decreased in KHR19,182 Millions (USD4.844 Millions) presented 14.62% declined by compared to total revenue KHR131,160 Millions (USD32.425 Millions) in Q1 of 2021 as at 31<sup>st</sup> March 2021. Therefore the revenue from sale of products in Q1 of 2021 as at 31<sup>st</sup> March 2021 amounted KHR131,160 Millions (USD32.425 Millions), that has increased in KHR8,448 Millions (USD2.223 Millions) presented 6,88% declined by compared to total revenue KHR122,712 Millions (USD30.202 Millions) in Q1 of 2020 as at 31<sup>st</sup> March 2020.

Revenue from subcontract in Q1 of 2021 as at 31<sup>st</sup> March 2021 amounted KHR1,238 Millions (USD306,013), that has decreased in KHR651 Millions (USD158,774) presented 34.45% declined by compared to total revenue KHR1,888 Millions (USD464.787) in Q1 of 2020 as at 31<sup>st</sup> March 2020. Therefore, Grand Twins had not generated the revenue derived from subcontract for Q1 of 2022.

Grand Twins had not generated the revenue derived from CMP in Q1 of 2022 as at 31<sup>st</sup> March 2022, neither in Q1 of 2021 as at 31<sup>st</sup> March 2021, nor in Q1 of 2020 as at 31<sup>st</sup> March 2020.

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 for Q1 of 2022 as at 31<sup>st</sup> March 2022, Q1 of 2021 as at 31<sup>st</sup> March 2021, Q1 of 2020 as at 31<sup>st</sup> March 2020 is as set forth in the table below:

Description	31 <sup>st</sup> March 2022		31 <sup>st</sup> March 2021		31 <sup>st</sup> March 2020	
	KHR'000	USD	KHR'000	USD	KHR'000	USD
Sale of products	111,978,214	27,580,841	131,159,784	32,425,163	122,712,164	30,202,354
Subcontract	-	-	1,237,823	306,013	1,888,430	464,787
CMP	-	-	-	-	-	-
<b>Total revenue</b>	<b>111,978,214</b>	<b>27,580,841</b>	<b>132,397,607</b>	<b>32,731,176</b>	<b>124,600,594</b>	<b>30,667,141</b>

Our revenue consists of revenue from the sale of products, subcontract and CMP. In Q1 of 2022, the revenue from sale of products accounted for 100% 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 sale of products in Q1 of 2022 as at 31<sup>st</sup> March 2022 amounted KHR111,978 Millions (USD27.581 Millions). This revenue has decreased KHR20,419 Millions (USD5.150 Millions) presented 15.42% declined by compared to total revenue KHR132,398 Millions (USD32,731 Millions) in Q1 of 2021 as at 31<sup>st</sup> March 2021. Therefore, the revenue from sale of products in Q1 of 2021 as at 31<sup>st</sup> March 2021 amounted KHR131,160 Millions (USD32.425 Millions), that has increased in KHR8,448 Millions (USD2.223 Millions) presented 6.88% declined by compared to total revenue KHR122,712 Millions (USD30.202 Millions) in Q1 of 2020 as at 31<sup>st</sup> March 2020.

**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 from subcontract in Q1 of 2021 as at 31<sup>st</sup> March 2021 amounted KHR1,238 Millions (USD306,013), that has decreased in KHR651 Millions (USD158,774) presented 34.45% declined by compared to total revenue KHR1,888 Millions (USD464.787) in Q1 of 2020 as at 31<sup>st</sup> March 2020. Therefore, Grand Twins had not generated the revenue derived from subcontract for Q1 of 2022.

### 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 Q1 of 2022 as at 31<sup>st</sup> March 2022, neither in Q1 of 2021 as at 31<sup>st</sup> March 2021, nor in Q1 of 2020 as at 31<sup>st</sup> March 2020.

#### 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 KHR8,507 Millions (USD2.095 Millions) in Q1 of 2022 as at 31<sup>st</sup> March 2022, which is increased in KHR2,115 Millions (USD515,070) or 33.09% compared to gross profit margin of KHR6,392 Millions (USD1,580 Millions) in Q1 of 2021 as at 31<sup>st</sup> March 2021. In contrast, the profit margin was KHR6,392 Millions (USD1,580 Millions) in Q1 of 2021 as at 31<sup>st</sup> March 2021, which is decreased in KHR1,001 Millions (USD239,356) or 13.54% compared to gross profit margin of KHR7,394 Millions (USD1.820 Millions) in Q1 of 2020 as at 31<sup>st</sup> March 2020. As described above, since there was a decline in revenue from sale of products and subcontract and revenue from CMP which had caused to decline in gross profit margin.

##### a. Revenue

The revenue in Q1 of 2022 as at 31<sup>st</sup> March 2022, amounted to KHR111,978 Millions (USD27.581 Millions). This revenue has decreased KHR20,419 Millions (USD5.150 Millions) presented 15.42% decline by compared to total revenue KHR132,398 Millions (USD32,731 Millions) in Q1 of 2021 as at 31<sup>st</sup> March 2021. Therefore the revenue in Q1 of 2021 as at 31<sup>st</sup> March 2021, amounted to KHR132,398 Millions (USD32,731 Millions). This revenue has increased KHR7,797 Millions (USD2,064 Millions) presented 6.26% decline by compared to total revenue KHR124,601 Millions (USD30,667 Millions) in Q1 of 2020 as at 31<sup>st</sup> March 2020.

##### b. Cost of products

The cost of products in Q1 of 2022 as at 31<sup>st</sup> March 2022, Q1 of 2021 as at 31<sup>st</sup> March 2021 and Q1 of 2020 as at 31<sup>st</sup> March 2020 as set forth in the table below:

Description	As at 31 <sup>st</sup> March 2022		As at 31 <sup>st</sup> March 2021		As at 31 <sup>st</sup> March 2020	
	KHR'000	USD	KHR'000	USD	KHR'000	USD
Direct	83,902,742	20,665,700	94,141,591	23,273,570	67,792,850	16,656,720
Direct Labor	8,888,672	2,189,328	8,511,311	2,104,156	17,972,005	4,415,726
Overhead	10,679,708	2,630,470	23,352,501	5,773,177	24,799,564	6,093,259
<b>Total</b>	<b>103,471,122</b>	<b>25,485,498</b>	<b>126,005,403</b>	<b>31,150,903</b>	<b>110,564,419</b>	<b>27,165,705</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 KHR103,471 Millions (USD25.485 Millions) in Q1 of 2022 as at 31<sup>st</sup> March 2022, the cost of sale decreased in KHR22,543 Millions (USD5.665 Millions) or 17.88% compared to total cost of products of KHR126,005 Millions (USD31.151 Millions) as in Q1 of 2021 as at 31<sup>st</sup> March 2021. In contrast, the cost of sales was KHR126,005 Millions (USD31.151 Millions) in Q1 of 2021 as at 31<sup>st</sup> March 2021, the cost of sale increased in KHR8,798 Millions (USD2.303 Millions) or 7.51% compared to total cost of products of KHR110.564 Millions (USD27.166 Millions) as in Q1 of 2020 as at 31<sup>st</sup> March 2020. The increasing is due to the increase in direct material and overhead for the production.

Cost of raw material was KHR83,903 Millions (USD20.666 Millions) in Q1 of 2022, which decreased in KHR10,239 Millions (USD2.608 Millions) or 10.88% from KHR94,142 Millions (USD23.274 Millions) as in Q1 of 2021 to KHR83,903 Millions (USD20.666 Millions) in Q1 of 2022. In contrast, the cost of raw material was KHR94,142 Millions (USD23.274 Millions) in Q1 of 2021, which increased in KHR10,191 Millions (USD20.662 Millions) or 12.14% from KHR83,950 Millions (USD20.662 Millions) as in Q1 of 2020 to KHR94,142 Millions (USD23.274 Millions) in Q1 of 2021.

Direct labor cost was KHR8,889 Millions (USD2.189 Millions) in Q1 of 2022, which increased KHR377 Millions (USD85,172) or 4.43%, from KHR8,511 Millions (USD2.104 Million) in Q1 of 2021 which increased to KHR8,889 Millions (USD2.189 Millions) in Q1 of 2022. Therefore, the direct labor cost was KHR8,511 Millions (USD2.104 Million) in Q1 of 2021, which increased KHR519 Millions (USD136,272) or 6.49%, from KHR7,992 Millions (USD1.968 Millions) in Q1 of 2020 which increased to KHR8,511 Millions (USD2.104 Million) in Q1 of 2021.. This increased was caused by the increase in worker minimum wage.

Overhead was KHR10,680 Millions (USD2.630 Millions) in Q1 of 2022, which slightly decreased in KHR12,673 Millions (USD3.143 Millions) or 54.27% which is from KHR23,353 Millions (USD5.773 Million) in the Q1 of 2021 to KHR10,680 Millions (USD2.630 Millions) as in Q1 of 2022. Moreover, the Overhead was KHR23,353 Millions (USD5.773 Million) in Q1 of 2021, which slightly decreased in KHR1,912 Millions (USD444,260) or 7.57% which is from KHR25,265 Millions (USD6.217 Millions) in the Q1 of 2020 to KHR23,353 Millions (USD5.773 Millions) as in Q1 of 2021.

#### ***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 Q1 of 2022 as at 31st March 2022, the profit before tax was KHR2,051 Millions (USD505,284) was increased in KHR1,656 Millions (USD407,638), approximately 419.39% compared to profit before tax of KHR395 Millions (USD97,646) in Q1 of 2021 as at 31st March 2021. The decreased was due to the increased in direct labor cost and overhead. Moreover, in Q1 of 2021 as at 31st March 2021, the profit before tax was KHR395 Millions (USD97,646) was decreased in KHR395 Millions (USD96,777), approximately 50% compared to profit before tax of KHR790 Million (USD194,423) in Q1 of 2020 as at 31<sup>st</sup> March 2020. The decreased was due to the increased in direct labor cost and overhead

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

The gross profit margin in Q1 of 2022 as at 31<sup>st</sup> March 2022, Q1 of 2021 as at 31<sup>st</sup> March 2021 and in Q1 of 2020 as at 31<sup>st</sup> March 2020 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 KHR328 Millions (USD80,760) in Q1 of 2022, KHR313 Millions (USD77,466) in Q1 of 2021 and KHR532 Millions (USD130,946) in Q1 of 2020.

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

Distribution costs consist of the cost of shipping finished products to customers. Distribution costs in Q1 of 2022 as at 31<sup>st</sup> March 2022 was KHR2,750 Millions (USD677,455), was increased in KHR798 Millions (USD194,767) or 40.87% compared to distribution cost of KHR1,952 Millions (USD482,688) in Q1 of 2021 as at 31st March 2021. Moreover, the Distribution costs in Q1 of 2021 as at 31<sup>st</sup> March 2021 was KHR1,952 Millions (USD482,688), was increased in KHR115 Millions (USD30,443) or 6,26% compared to distribution cost of KHR1,830 Millions (USD452,245) in Q1 of 2020 as at 31<sup>st</sup> March 2020. This increasing was dued to the increase in product volumn 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 Q1 of 2022 as at 31<sup>st</sup> March 2022, administrative cost was KHR3,665 Millions (USD902,629), the expenses has decreased in KHR262 Millions (USD68,063) or 6,67% compared to administrative expenses KHR3,926 Millions (USD970,692) in Q1 of 2021 as at 31<sup>st</sup> March 2021. In contrast In Q1 of 2021 as at 31<sup>st</sup> March 2021, administrative cost was KHR3,926 Millions (USD970,692), the expenses has decreased in KHR780 Millions (USD187,676) or 16,57% compared to administrative expenses KHR4,706 Millions (USD1.158 Millions) in Q1 of 2020 as at 31<sup>st</sup> March 2020.

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.

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

Other expenses represent loss arising from reduction in selling prices of wrong products either in size or colors. Other expense was KHR4 Millions (USD902) in Q1 of 2022 as at 31<sup>st</sup> March 2022. This expesne has descreased in KHR61 Millions (USD15,154) or 94.36% compared to other expenses of KHR64 Millions (USD16,056) in Q1 of 2021 at 31<sup>st</sup> March 2021. Therefore, other expense was KHR64 Millions (USD16,056) in Q1 of 2021 as at 31<sup>st</sup> March 2021. This expesne has descreased in KHR82 Millions (USD20,200) or 55.91% compared to other expenses of KHR147 Millions (USD36,256) in Q1 of 2020 at 31<sup>st</sup> March2020. 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 KHR367 Millions (USD90,411) in Q1 of 2022 as at 31<sup>st</sup> March 2022, KHR368 Millions (USD91,084) in Q1 of 2021 as at 31<sup>st</sup> March 2021 and KHR446 Millions (USD109,673) in Q1 of 2020 as at 31<sup>st</sup> March 2020.

#### ***v. Profit after tax***

Profit after tax is derived from profit before tax minus income tax expense. In Q1 of 2022 as at 31<sup>st</sup> March 2022, the Comapny's profit before tax was KHR2,051 Millions (USD505,284) and income tax expense was KHR934 Millions (USD230,117) and profit after tax in Q1 of 2022 was KHR 1,117 Millions (USD275,167). The profit after tax was inscreased KHR801 Millions (USD197,050) presenting to 253.56% with comparing to the profit after tax in Q1 of 2021 as at 31<sup>st</sup> March 2021, which was KHR 316 Millions (USD78,117).

Moreover, the profit after tax in Q1 of 2021 as at 31<sup>st</sup> March 2021, the Comapny's profit before tax was KHR395 Millions (USD97,646) and income tax expense was KHR79 Millions (USD19,529) and profit after tax in Q1 of 2021 was KHR 316 Millions (USD78,117). The profit after tax was descreased KHR316 Millions (USD77,421) presenting to 50% with comparing to the profit after tax in Q1 of 2020 as at 31<sup>st</sup> March 2020, which was KHR632 Millions (USD155,538).

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

##### ***Revenue***

Grand Twins generates revenue from export products to over the world. Revenue from export product to USA 30% of total revenue in Q1 of 2022, exported to EU 46% and to asia countries 22% and 2% to other countries.



Revenue in Q1 of 2022, has decreased 15.42% which from KHR132,398 Million (USD32.731 Millions), as the total revenue in Q1 of 2021 to KHR111,978 Millions (USD27.581 Millions) in Q1 of 2022. In contrast, the revenue in Q1 of 2021, has increased 6.26% which from KHR124,601 Million (USD30.667 Millions), as the total revenue in Q1 of 2020 to KHR132,398 Million (USD32.731 Millions) in Q1 of 2020.

### ***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 2021. For shorts, we sold a significant amount at approximately USD 5-10 each in 2021. The selling price is stable in Q1 of 2022.

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 15.42% in Q1 of 2022 comparing to the total revenue in the Q1 of 2021, it primary dued to the decrease in client purchase order. In contrast, the revenue was declined 6.26% in Q1 of 2021 comparing to the total revenue in the Q1 of 2020, it primary dued to the decrease in client purchase order.

In Q1 of 2022 as at 31<sup>st</sup> March 2022, the revenue was lower than previous quarters, the purchase order volumn was reduce and had caused to gross profit amounted in KHR8,507 Millions (USD2.095 Millions) in Q1 of 2022 as at 31<sup>st</sup> March 2022, which is increased in KHR2,115 Millions (USD515,070) or 33.09% compared to gross profit margin of KHR6,392 Millions (USD1,580 Millions) in Q1 of 2021 as at 31<sup>st</sup> March 2021. Therefore, In Q1 of 2021 as at 31<sup>st</sup> March 2021, the revenue was lower than previous quarters, the purchase order volumn was reduce and had caused to gross profit amounted in KHR6,392 Millions (USD1.580 Millions) in Q1 of 2021, which had declined in KHR1,001 Millions (USD239,356) or 13.54% compareing to profit margin of KHR7,393 Millions (USD1.820 Millions) in Q1 of 2020 as at 31<sup>st</sup> March 2020. 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. Fluctuations 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 occure 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.

#### ***Deffered 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 Q1 of 2022 as at 31<sup>st</sup> March 2022.

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

Our revenue was KHR111,978 Millions (USD27.581 Millions) in Q1 of 2022 as at 31<sup>st</sup> March 2022. This revenue has decreased KHR20,419 Millions (USD5.150 Millions) presented 15.42% declined by compared to total revenue KHR132,398 Millions (USD32,731 Millions) in Q1 of 2021 as at 31<sup>st</sup> March 2021. Therefore the Our revenue was KHR132,398 Millions (USD32,731 Millions) in Q1 of 2021 as at 31<sup>st</sup> March 2021. This revenue has increased KHR7,797 Millions (USD2,064 Millions) presented 6,26% declined by compared to total revenue KHR124,601 Millions (USD30,667 Millions) in Q1 of 2020 as at 31<sup>st</sup> March 2020.

Our revenue consists of revenue from the sale of products, subcontract and CMP revenue. In Q1 of 2022, we has generated in revenue KHR111,978 Millions (USD27.581 Millions), that sale of products accounted for KHR111,978 Millions (USD27.581 Millions). The revenue from subcontract and CMP had not been generated in Q1 of 2022. In Q1 of 2021, we has generated in revenue KHR132,398 Millions (USD32,731 Millions), that sale of products accounted for KHR131,160 Millions (USD32,425 Millions) and the revenue from subcontract was KHR1,238 Millions (USD306,013). CMP had not been generated in Q1 of 2021.

Revenue from sale of products presented to 100% of total revenue, amounted in KHR111,978 Millions (USD27.581 Millions) in Q1 of 2022 as at 31<sup>st</sup> March 2022. 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 Q1 of 2022 as at 31<sup>st</sup> March 2022.

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

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

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In Q1 of 2022 as at 31<sup>st</sup> March 2022, there is no any significant information other than disclosed in this Q1 report of 2022.

**DIRECTORS' SIGNATURE**

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Dated: 13<sup>th</sup> May 2022

**Having read and approved**

Signature



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



Signature



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



**ក្រុមហ៊ុន ហ្គ្រង់ ធួន អ៊ិនធើណេសិនណល ភីអិលស៊ី**

Grand Twins International ( Cambodia ) Plc.

អាសយដ្ឋាន: ភូមិត្រពាំងពោធិ៍ សង្កាត់ចោមចៅ ខណ្ឌពោធិ៍សែនជ័យ រាជធានីភ្នំពេញ ព្រះរាជាណាចក្រកម្ពុជា។

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