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晶苑國際集團有限公司*
CRYSTAL INTERNATIONAL GROUP LIMITED

*(Incorporated in Bermuda with limited liability and
registered by way of continuation in the Cayman Islands)*

(Stock code: 2232)

**ANNOUNCEMENT
ON THE RENEWAL OF EXISTING CONNECTED TRANSACTIONS**

Reference is made to the announcements (the “**Announcements**”) of Crystal International Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 20 December 2019 and 14 January 2020 regarding the renewal of existing connected transactions. Terms defined in the Announcements shall have the same meanings when used in this announcement.

2021 LEASES

In 2019, the Group entered various leases with certain entities controlled by our connected persons (the “**2020 Leases**”), namely, Mr. Lo Lok Fung Kenneth (the “**Mr. Lo**”), Mrs. Lo Choy Yuk Ching Yvonne (the “**Mrs. Lo**”) and Mr. Lo Ching Leung Andrew (the “**Mr. Andrew Lo**”) (collectively, the “**Connected Landlords**”). Pursuant to the 2020 Leases, the Connected Landlords agreed to lease certain premises to the Group for office, warehouse and living quarters purposes.

All the lease agreements under the 2020 Leases will expire on 31 December 2020. Our Board announces that on 21 December 2020, among the 2020 Leases, some lease agreements are to be renewed for terms of one year. In addition, the Group entered a new lease for warehouse purposes for a term of a year commencing from 1 January 2021 (collectively, the “**2021 Leases**”).

* For identification purposes only

AGREEMENTS WITH MASTERKNIT

The Group entered (a) a general service agreement; (b) a framework sub-contracting services agreement and (c) an equipment leasing agreement with Masterknit in 2019, all of which have been approved to be renewed pursuant to our Board resolutions on 3 December 2020 (the “**Agreements with Masterknit**”).

LISTING RULES IMPLICATIONS

The 2021 Leases and the Agreements with Masterknit constitute connected transactions and continuing connected transactions of the Company. Since one or more of the relevant applicable percentage ratios (as defined under the Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the 2021 Leases and the Agreements with Masterknit are expected to be, on an annual basis, more than 0.1% but less than 5%, the transactions are exempt pursuant to Rule 14A.76(2) of the Listing Rules from the circular (including independent financial adviser review) and independent shareholders’ approval requirements but are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

2021 LEASES

In 2019, the Group entered the 2020 Leases with certain entities controlled by our connected persons, which collectively refer to Mr. Lo, Mrs. Lo and Mr. Andrew Lo. Pursuant to the 2020 Leases, the Connected Landlords agreed to lease certain premises to the Group for office, warehouse and living quarters purposes.

All the lease agreements under the 2020 Leases will expire on 31 December 2020. Our Board announces that on 21 December 2020, among the 2020 Leases, some lease agreements are to be renewed for terms of one year. In addition, the Group entered a new lease with Tanbo Development Limited, a company controlled by the Connected Landlords, for warehouse purposes for a term of a year commencing from 1 January 2021.

As Mr. Lo (executive director), Mrs. Lo (executive director) and Mr. Andrew Lo (executive director), who control relevant entities as landlord, have a material interest in the connected transactions under the 2021 Leases. Accordingly, each of Mr. Lo, Mrs. Lo and Mr. Andrew Lo abstained from voting on the resolutions of the Board in respect of the approval of the 2021 Leases.

The major terms of the 2021 Leases are listed below:

Lease Period	Landlord	Tenant	Size <i>Sq.m.</i>	Use	Payment Schedule	Rent Per Month <i>(HK\$)</i>	Right-of- Use Assets <i>(HK\$)</i>
1 January 2021 to 31 December 2021	Asia Success Properties Limited (formerly known as Sinotex Corporation Limited)	Crystal Knitters Limited	7,288	Office	Monthly	1,195,000	14,162,000
1 January 2021 to 31 December 2021	Joint Access Limited	Crystal Knitters Limited	389	Living quarters	Monthly	350,000	4,148,000
1 January 2021 to 31 December 2021	Happy Field Company Limited	Crystal Knitters Limited	1,012	Living quarters	Monthly	450,000	5,333,000
1 January 2021 to 31 December 2021	Tanbo Development Limited	Crystal Knitters Limited	350	Warehouse	Monthly	45,000	533,000

Pricing Policy: The monthly rentals under the 2021 Leases reflect prevailing market rates, based on valuations made by the property valuer of the Company, which shall be payable in cash on a monthly basis and in advance on the first day of each calendar month. The total rent payable during the terms under the 2021 Leases is HK\$24,480,000. The Company will recognise the leased assets under the 2021 Leases as acquisition of right-of-use assets amounting to HK\$24,176,000.

Reasons for the Transactions

The directors are of the view that the business operations and development of the Company require the entering into of the 2021 Leases for the use of office, warehouse and living quarters.

In addition, the directors (including the independent non-executive directors) consider that the transactions contemplated under the 2021 Leases have been entered into in the ordinary course of the Company's business on normal commercial terms, and the terms of the 2021 Leases are fair and reasonable and in the interests of the Company and its shareholders as a whole.

AGREEMENTS WITH MASTERKNIT

The Group entered into the Agreements with Masterknit, which have been approved to be renewed pursuant to our Board resolutions on 3 December 2020.

As Mr. Lo (executive director) and Mrs. Lo (executive director) are indirect shareholders of Masterknit, they have a material interest in the connected transactions under the Agreements with Masterknit, each of Mr. Lo and Mrs. Lo abstained from voting on the resolutions of the Board in respect of the approval of the Agreements with Masterknit.

In addition, the directors (including the independent non-executive directors) consider that the transactions under the Agreements with Masterknit have been entered into in the ordinary course of the Company's business on normal commercial terms, and the terms of the Agreements with Masterknit are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Principal terms of the Agreements with Masterknit

(a) *The General Service Agreement*

A subsidiary of the Company, Dongguan Lianfeng Enterprise Management and Consulting Services Limited has entered into a general service agreement with Masterknit on 21 December 2020, pursuant to which various services will be provided to Masterknit including, among others, IT system support, data processing, analysis, general administrative services, human resource support, research and development and logistics. The term of the agreement is from 1 January 2021 to 31 December 2021.

Pricing Policy: The fees for general services are determined based on the costs related to the general services with a margin agreed by Masterknit. The margin rate shall be the prevailing market rate which will be determined by the parties on the basis of, and in any event no less than, the results of research to be conducted by the parties on comparable companies providing similar services.

The research conducted by an independent accounting firm engaged by the Company stated the median margin rate charged by comparable companies selected by the independent accounting firm to be 6.72% on a three-year weighted basis and 7.22% for the latest year reviewed. The fixed margin rate charged by the Company for the provision of general services for the current year is 12%.

Taking into account the manner in which the margin rate is determined and that the applicable margin rate for the General Service Agreement is higher than the results of the research, the directors (including the independent non-executive directors) consider that the pricing policy in respect of the General Service Agreement is fair and reasonable, on normal commercial terms and no less favorable to the Company.

Historical figures: The historical annual general services fee payable by Masterknit for the years ended 31 December 2018 and 31 December 2019, and estimated annual general service fee for the year ending 31 December 2020 are set out below:

	For the year ended 31 December 2018 <i>(US\$'000)</i>	For the year ended 31 December 2019 <i>(US\$'000)</i>	For the year ending 31 December 2020 <i>(US\$'000)</i>
Total Revenue	264	435	795

Annual Cap: The directors have estimated that the maximum fee payable by Masterknit to the Group in relation to such general services provided to Masterknit for the year ending 31 December 2021 will not exceed US\$1,000,000, representing an increase from the estimated fees of US\$795,000 paid by Masterknit for 2020. In determining the annual cap, the directors considered (i) the amounts of previous transactions with Masterknit and (ii) the Group's estimated costs for the general services provided to Masterknit.

Reasons for the Transactions: The directors are of the view to continue providing the general support service to Masterknit.

In addition, the directors (including the independent non-executive directors) consider that the transactions have been entered into in the ordinary course of the Company's business on normal commercial terms, and the terms of the general service agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

(b) *The Framework Sub-contracting Services Agreement*

A subsidiary of the Company, Eternal King Limited has entered into a framework sub-contracting services agreement with Masterknit on 21 December 2020, pursuant to which the Group provides sub-contracting services to Masterknit from time to time. The term of the agreement is from 1 January 2021 to 31 December 2021.

Pricing Policy: The sub-contracting fees are determined with reference to comparable processing charges made by third-party sub-contractors providing similar services to Masterknit given that Masterknit is the Company's sole customer of such services.

In determining the sub-contracting fees charged by the Company and in order to ensure that the transactions will be conducted on normal commercial terms and no less favorable to the Company, the Company itself solicits two other contemporaneous transactions with unrelated third parties for similar quantities, and the sub-contracting fees charged by the Company to Masterknit shall be comparable to, and in any event on no less favorable terms to the Company than, the fees charged by unrelated third parties for similar quantities.

Taking into account the manner in which the sub-contracting fees are determined, the directors (including the independent non-executive directors) consider that the pricing policy in respect of the Framework Sub-contracting Services Agreement is fair and reasonable, on normal commercial terms and no less favorable to the Company.

Historical figures: The historical annual sub-contracting services fees payable by Masterknit for the years ended 31 December 2018 and 31 December 2019, and estimated annual sub-contracting service fee for the year ending 31 December 2020 are set out below:

	For the year ended 31 December 2018 <i>(US\$'000)</i>	For the year ended 31 December 2019 <i>(US\$'000)</i>	For the year ending 31 December 2020 <i>(US\$'000)</i>
Total Revenue	2,402	3,137	3,199

Annual Cap: The directors have estimated that the maximum aggregate annual sub-contracting services fee payable by Masterknit for the year ending 31 December 2021 shall not exceed US\$4,000,000, representing a modest increase from the estimated fees of US\$3,199,000 for 2020. In determining the annual cap, the directors have considered (i) the historical volume of orders placed by customers with Masterknit; (ii) the sales forecasts from Masterknit's existing and new customers; (iii) the number of machines installed on available factory spaces; (iv) the amounts of previous transactions with Masterknit; (v) the estimates of output per machine per year and (vi) the unit productivity and comparable processing charges. Among these, the increased demand for sub-contracting services from Masterknit, driven by the Group's increased available manufacturing capacity to service Masterknit, is estimated by the directors to result in an increase in sub-contracting fees.

Reasons for the Transactions: As the Group possesses expertise in garment manufacturing and the Group is moving into the manufacture of sportswear and accessories, the cooperation with Masterknit will enable the Group to gain experience of knitted shoe upper manufacture while Masterknit, lacking its own manufacturing capability, requires reputable sub-contractors.

Since Masterknit is our connected person and our transactions with Masterknit under categories of (a) and (b) above are of similar nature, the transactions will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the annual caps in respect of the transactions with Masterknit under categories (a) and (b) above are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules. The proposed annual cap for the general service agreement and framework sub-contracting services agreement under the terms is US\$5,000,000.

(c) ***The Equipment Leasing Agreement***

The subsidiary of the Company, Eternal King Limited has entered into an equipment leasing agreement with Masterknit on 21 December 2020, under which Masterknit has agreed to lease to the Group certain production equipment. The term of the agreement is from 1 January 2021 to 31 December 2021.

Pricing Policy: The fees for equipment leasing are determined with reference to the cost of such production equipment and an agreed internal rate of return. An aggregate sum of US\$41,666 shall be payable in cash on a monthly basis and in advance on the first day of each calendar month. The total rent payable during the term under this agreement is US\$500,000. For the equipment leasing agreement, the Company will recognise the leased asset as an acquisition of right-of-use asset amounting to US\$494,000.

Reasons for the Transactions: As the sub-contracting services mentioned in (b) above require different types of production equipment, it is considered commercially sensible for Masterknit to lease the required equipment to the Group due to the reasons that (i) it is more cost effective for the relevant equipment to be leased instead of purchased since the Group is only providing sub-contracting services regarding knitted shoe uppers to Masterknit and (ii) Masterknit deals directly with its customers regarding product development enabling Masterknit to determine the most suitable equipment to be used to achieve the desired product quality.

LISTING RULES IMPLICATIONS

Since the relevant entities as landlord under the 2021 Leases and Masterknit are controlled by our connected persons of the Company, the relevant entities as landlord under the 2021 Leases and Masterknit are connected persons of the Company.

In accordance with IFRS 16 applicable to the Company, the transactions under the 2021 Leases and the equipment leasing agreement with Masterknit will be recognised as acquisitions of right-of-use assets, which will constitute one-off connected transactions of the Company under Chapter 14A of the Listing Rules. Since the transactions under the 2021 Leases and the equipment leasing agreement with Masterknit are of similar nature, such transactions will be aggregated and treated as if they are one transaction, pursuant to Rules 14A.81 and 14A.82(1) of the Listing Rules.

The transactions contemplated under the Agreements with Masterknit, except for the equipment leasing agreement, will continue to be conducted on an ongoing basis for the next year from 1 January 2021 to 31 December 2021 and will therefore constitute continuing connected transactions of the Company under the Listing Rules. Since Masterknit is our connected person and our transactions with Masterknit under the general service agreement and the framework sub-contracting services agreement are of similar nature, the transactions will be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and

14A.83 of the Listing Rules. Accordingly, the annual caps in respect of the transactions with Masterknit under categories (a) and (b) above are aggregated, and such aggregate amount is used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

Since one or more of the relevant applicable percentage ratios (as defined under the Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the 2021 Leases and Agreements with Masterknit are expected to be, on an annual basis, more than 0.1% but less than 5%, the transactions are exempt pursuant to Rule 14A.76(2) of the Listing Rules from the circular (including independent financial adviser review) and independent shareholders' approval requirements but are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Group is principally engaged in the manufacturing and trading of garments.

The relevant entities as landlord under the 2021 Leases, Asia Success Properties Limited (formerly known as Sinotex Corporation Limited), Joint Access Limited, Happy Field Company Limited and Tanbo Development Limited are limited liability companies incorporated in Hong Kong and all of them are principally engaged in investment holding and property letting. To the best of the directors' knowledge, information and belief, having made all reasonable enquiries, at the date of this announcement, the issued share capitals of Asia Success Properties Limited (formerly known as Sinotex Corporation Limited), Happy Field Company Limited and Tanbo Development Limited are indirectly wholly-owned by Mr. Lo and Mrs. Lo and Joint Access Limited is indirectly owned as to 50% by Mr. Andrew Lo.

Masterknit is a limited liability company incorporated in Hong Kong and principally engaged in the manufacturing and trading of knitwear products. To the best of the directors' knowledge, information and belief, having made all reasonable enquiries, at the date of this announcement, the issued share capital of Masterknit is indirectly owned as to 71.9% by Mr. Lo and Mrs. Lo.

By Order of the Board
Crystal International Group Limited
LO Lok Fung Kenneth
Chairman

Hong Kong, 21 December 2020

As at the date of this announcement, the board of directors of the Company comprises Mr. LO Lok Fung Kenneth, Mrs. LO CHOY Yuk Ching Yvonne, Mr. LO Ching Leung Andrew, Mr. WONG Chi Fai and Mr. WONG Sing Wah, as executive directors; and Mr. GRIFFITHS Anthony Nigel Clifton, Mr. TSE Man Bun Benny, Mr. CHANG George Ka Ki and Mr. MAK Wing Sum Alvin, as independent non-executive directors.