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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018 AND CHANGE IN USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2018 amounted to US$2,496 million, an increase of 14.6%.
- Net profit for the year ended 31 December 2018 amounted to US$149 million, an increase of 0.5%.
- Proposed to declare a final dividend of HK8.4 cents (approximately US1.1 cents) per ordinary share.

ANNUAL RESULTS

The board of directors (the "**Board**") of Crystal International Group Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017.

* *for identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 US$'000	2017 US$'000
Revenue	3	**2,495,966**	2,177,994
Cost of sales		**(2,026,244)**	(1,735,583)
Gross profit		**469,722**	442,411
Other income, gains or losses		**15,164**	9,297
Selling and distribution expenses		**(42,836)**	(39,710)
Administrative and other expenses		**(255,814)**	(218,393)
Finance costs		**(17,859)**	(16,565)
Share of results of an associate		**1,623**	(2,669)
Profit before tax	4	**170,000**	174,371
Income tax expense	5	**(20,808)**	(25,854)
Profit for the year		**149,192**	148,517
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(23,266)**	14,070
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit liabilities		**(178)**	5,265
Deferred tax expense arising on defined benefit liabilities		**(105)**	(1,027)
Surplus on revaluation of properties		**6,582**	8,636
Deferred tax expense arising on revaluation of properties		**(1,416)**	(1,670)
		4,883	11,204
Other comprehensive (expense) income for the year		**(18,383)**	25,274
Total comprehensive income for the year		**130,809**	173,791

	Note	2018 US$'000	2017 US$'000
Profit for the year attributable to:			
Owners of the Company		**149,192**	148,429
Non-controlling interests		**–**	88
		149,192	148,517
Total comprehensive income for the year attributable to:			
Owners of the Company		**130,809**	173,703
Non-controlling interests		**–**	88
		130,809	173,791
Earnings per share for profit attributable to the owners of the Company *(US cents)*	*6*		
— basic		**5.24**	6.20
— diluted		**5.23**	6.20

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	**2018**	2017
		US$'000	*US$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**670,731**	574,438
Deposits paid for acquisition of property, plant and equipment		**6,419**	12,145
Prepaid lease payments		**37,298**	34,752
Goodwill		**74,941**	74,941
Intangible assets		**95,693**	100,610
Interest in an associate		**16,638**	15,196
Loan receivables		**1,861**	2,625
		903,581	814,707
Current assets			
Inventories		**277,807**	249,372
Prepaid lease payments		**960**	879
Trade, bills and other receivables	*8*	**337,220**	337,597
Trade receivables at fair value through other comprehensive income		**10,697**	–
Amount due from an associate		**–**	525
Amounts due from related companies		**733**	1,228
Loan receivables		**674**	696
Tax recoverable		**5,954**	–
Bank balances and cash		**302,326**	416,721
		936,371	1,007,018
Total assets		**1,839,952**	1,821,725

	Note	2018 US$'000	2017 US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**3,654**	3,654
Reserves		**982,785**	907,114
Total equity		**986,439**	910,768
Non-current liabilities			
Other payables	9	**4,190**	8,933
Deferred taxation		**32,685**	31,254
Defined benefit liabilities		**–**	265
Bank borrowings		**–**	23,000
		36,875	63,452
Current liabilities			
Trade, bills and other payables	9	**360,246**	321,004
Amount due to an associate		**3,607**	–
Derivative financial instruments		**7,462**	–
Tax liabilities		**10,911**	19,177
Bank borrowings		**434,412**	507,324
		816,638	847,505
Total equity and liabilities		**1,839,952**	1,821,725

NOTES

1. GENERAL

The Company was previously incorporated in Bermuda as an exempted company with limited liability. Pursuant to a special resolution passed in prior year, the Company discontinued in Bermuda and registered by way of continuation in the Cayman Islands as an exempted company with limited liability. Its parent and ultimate holding company is Crystal Group Limited (previously incorporated in Bermuda and redomiciled in the Cayman Islands). The address of the registered office of the Company is Ugland House, P.O. Box 309, Grand Cayman KY1-1104, Cayman Islands and the principal place of business of the Company is 3/F, Crystal Industrial Building, 71 How Ming Street, Kwun Tong, Hong Kong.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 3 November 2017 (the "**Listing Date**").

The consolidated financial statements are presented in United States dollars ("**US$**"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time in the current year:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IAS 40	Transfers of Investment Property
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014–2016 Cycle
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in the Group's consolidated financial statements.

2.1 IFRS 15 "Revenue from Contracts with Customers"

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded International Accounting Standard ("**IAS**") 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from manufacturing and trading of garments at a point in time when the control of garments is transferred to the customers, being when the garments have been shipped to the specific location (delivery). Transportation and other related activities that occur before the customers obtain control of the related goods are considered as fulfilment activities.

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group has performed an assessment of the impact of the adoption of IFRS 15 and concluded that the revenue from manufacturing and trading of garments is recognised at a point in time when the control of the goods is transferred to the customers which is the same as the revenue recognition used under IAS 18. Accordingly, the application of IFRS 15 does not have material financial impact on the timing and amounts of revenue recognised in prior and current years.

2.2 IFRS 9 "Financial Instruments"

In the current year, the Group has applied IFRS 9 "Financial Instruments" and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("**ECL**") for financial assets and (3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 "Financial Instruments: Recognition and Measurement".

Classification and measurement of financial assets

The directors of the Company have reviewed and assessed the Group's financial assets at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that there was no material impact on the Group's consolidated statement of financial position upon adoption of IFRS 9.

Impairment under ECL model

At 1 January 2018, the directors of the Company have reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 and have concluded that no material financial impact exists, and therefore no adjustment to the opening retained profits at 1 January 2018 has been recognised.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of garments. All revenue generated by the Group is recognised at a point in time when control of the goods has transferred to the customers, being when the goods have been shipped to the specific location (delivery).

Information reported to the executive directors of the Company, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of products.

(i) Lifestyle wear

(ii) Denim

(iii) Intimate

(iv) Sweater

(v) Sportswear and outdoor apparel

(vi) Others

These operating segments also represent the Group's reportable segments. No operating segments identified by CODM have been aggregated in arriving at the reportable segments of the Group.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segments:

Year ended 31 December 2018

	Lifestyle wear	Denim	Intimate	Sweater	Sportswear and outdoor apparel	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
SEGMENT REVENUE							
External sales	**953,419**	**630,349**	**410,896**	**251,677**	**239,359**	**10,266**	**2,495,966**
Segment profit	**180,232**	**112,420**	**84,279**	**42,939**	**42,263**	**7,589**	**469,722**
Other income, gains or losses							**15,164**
Selling and distribution expenses							**(42,836)**
Administrative and other expenses							**(255,814)**
Finance costs							**(17,859)**
Share of results of an associate							**1,623**
Profit before tax							**170,000**

Year ended 31 December 2017

	Lifestyle wear *US$'000*	Denim *US$'000*	Intimate *US$'000*	Sweater *US$'000*	Sportswear and outdoor apparel *US$'000*	Others *US$'000*	Total *US$'000*
SEGMENT REVENUE							
External sales	799,835	560,230	378,263	209,565	216,497	13,604	2,177,994
Segment profit	153,154	110,350	84,026	42,967	41,404	10,510	442,411
Other income, gains or losses							9,297
Selling and distribution expenses							(39,710)
Administrative and other expenses							(218,393)
Finance costs							(16,565)
Share of results of an associate							(2,669)
Profit before tax							174,371

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of other income, gains or losses, selling and distribution expenses, administrative and other expenses, finance costs, and share of results of an associate. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

No further analysis is presented for certain items included or excluded in the measure of segment result as such information is not regularly provided to the CODM.

Segment assets and liabilities

No analysis of segment assets or segment liabilities is presented as such information is not regularly provided to the CODM.

Revenue from major customers

Revenue from customers individually contributing over 10% of the Group's revenue is as follows:

	Segment	**2018** ***US$'000***	2017 *US$'000*
Customer A	Lifestyle wear, Denim, Intimate, Sweater and Sportswear and outdoor apparel (2017: Lifestyle wear, Intimate, Sweater and Sportswear and outdoor apparel)	**920,579**	717,182
Customer B	Lifestyle wear, Denim, Sweater and Sportswear and outdoor apparel	**N/A ***	219,967

* The corresponding revenue from the customer did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2018.

Geographical information

Information about the Group's revenue is presented below by geographical location based on port of discharge:

	2018	2017
	US$'000	*US$'000*
Asia Pacific *(note i)*	**986,382**	844,402
United States	**942,360**	803,089
Europe *(note ii)*	**458,920**	451,302
Other countries/regions	**108,304**	79,201
	2,495,966	2,177,994

Notes:

(i) Asia Pacific primarily includes Japan, the People's Republic of China (the "**PRC**"), Hong Kong and South Korea.

(ii) Europe primarily includes the United Kingdom (the "**U.K.**"), Belgium and Germany.

Information about the Group's non-current assets other than loan receivables is presented below by geographical location of the assets:

	2018	2017
	US$'000	*US$'000*
Asia Pacific *(note i)*	**894,801**	802,940
Europe *(note ii)*	**6,919**	9,142
	901,720	812,082

Notes:

(i) Asia Pacific primarily includes Bangladesh, Cambodia, Hong Kong, the PRC, Singapore, Sri Lanka and Vietnam.

(ii) Europe primarily includes the U.K..

4. PROFIT BEFORE TAX

	2018	2017
	US$'000	*US$'000*
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**5,176**	6,652
Other staff costs	**564,867**	480,045
Retirement benefit schemes contributions for other staff	**49,715**	40,626
Total staff costs	**619,758**	527,323
Amortisation of prepaid lease payments	**1,004**	939
Auditors' remuneration:		
— audit services	**1,077**	1,299
— non-audit services	**522**	1,706
Cost of inventories recognised as expenses	**2,016,951**	1,726,243
Write-down of inventories	**9,293**	9,340
Depreciation of property, plant and equipment	**67,860**	55,371
Impairment loss (reversal) recognised in respect of property, plant and equipment	**(4,732)**	1,641
Amortisation of intangible asset (included in selling and distribution expenses)	**4,917**	4,917
Reversal of impairment of other receivables	**–**	(1,552)
Reversal of allowance for trade receivables, net	**–**	(842)
Net loss arising from changes in fair value/derecognition of derivative financial instruments	**7,340**	1,648
Listing expenses	**–**	7,901

5. INCOME TAX EXPENSE

The income tax expense comprises:

	2018	2017
	US$'000	*US$'000*
Hong Kong Profits Tax		
— current year	**8,977**	16,136
— overprovision in prior years	**(59)**	(5)
Overseas taxation		
— current year	**12,129**	10,795
— (over)underprovision in prior years	**(822)**	38
	20,225	26,964
Deferred taxation	**583**	(1,110)
	20,808	25,854

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first Hong Kong Dollars ("**HK$**") 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

All of the Group's subsidiaries incorporated in Macau are registered and regulated by the Decree Law No. 58/99/M applicable to Macao offshore commercial activities and are exempted from Macao Complementary Tax.

Certain subsidiaries incorporated in Cambodia are exempted from tax on profit when they fulfilled certain requirements pursuant to the relevant laws and regulations in Cambodia.

6. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2018	2017
	US$'000	*US$'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	**149,192**	148,429
Number of shares:	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(notes i and ii)*	**2,845,168**	2,392,728
Effect of dilutive potential ordinary shares:		
— Share Award Scheme B	**6,013**	611
— Over-allotment option	**–**	68
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,851,181**	2,393,407

Notes:

(i) The weighted average number of ordinary shares above has been arrived at after deducting the third tranches (2017: second and third tranches) of award shares that are not yet vested but held by the trustee of Share Award Scheme B.

(ii) The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted retrospectively for the year ended 31 December 2017 for the effect of the re-denomination issue.

7. DIVIDENDS

	2018 *US$'000*	2017 *US$'000*
Final, paid — HK12.3 cents per ordinary share for 2017 (2017: nil for 2016)	**44,582**	–
Interim, paid — HK4 cents per ordinary share for 2018 (2017: US$5,376 per ordinary share)	**14,496**	64,512
	59,078	64,512

A final dividend of HK8.4 cents (2017: HK12.3 cents) per ordinary share in total of approximately HK$239,279,000 (equivalent to approximately US$30,548,000) (2017: HK$349,875,000 (equivalent to approximately US$44,582,000)) in respect of the year ended 31 December 2018 has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company (the "**Shareholders**") in the forthcoming annual general meeting.

8. TRADE, BILLS AND OTHER RECEIVABLES

	2018 *US$'000*	2017 *US$'000*
Trade receivables	**272,711**	285,883
Less: allowance for credit losses (2017: doubtful debts)	**–**	(38)
	272,711	285,845
Bills receivable	**1,310**	949
Temporary payments	**11,476**	6,283
Other deposits and prepayments	**51,723**	44,520
	337,220	337,597

The following is an aged analysis of trade receivables, net of allowance for credit losses (2017: doubtful debts), based on invoice dates.

	2018 *US$'000*	2017 *US$'000*
Within 60 days	**253,237**	263,388
61 to 90 days	**18,336**	19,030
91 to 120 days	**987**	2,070
over 120 days	**151**	1,357
	272,711	285,845

9. TRADE, BILLS AND OTHER PAYABLES

	2018 *US$'000*	2017 *US$'000*
Trade payables	**178,978**	142,412
Bills payable	**3,455**	6,899
Accrued staff cost	**81,368**	74,927
Other payables	**49,797**	50,037
Other accruals	**50,838**	55,662
Total trade, bills and other payables	**364,436**	329,937

The following is an aged analysis of trade payables based on invoice dates.

	2018 *US$'000*	2017 *US$'000*
Within 60 days	**155,019**	139,960
61 to 90 days	**22,510**	1,515
91 to 120 days	**666**	467
over 120 days	**783**	470
	178,978	142,412

At 31 December 2018, the non-current amounts are related to the purchase of property, plant and equipment and are unsecured, interest-free and repayable from 2020 to 2021 (2017: repayable from 2019 to 2021).

The total is analysed for reporting purposes as:

	2018 *US$'000*	2017 *US$'000*
Current	**360,246**	321,004
Non-current	**4,190**	8,933
	364,436	329,937

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

2018 witnessed intensifying trade tensions and commercial disputes between the United States of America ("**USA**") and the PRC together with increasing economic slow down amongst the member countries of the European Union. This situation has adversely impacted the overall consumption value chain creating uncertainty for all the world's major economies. The exchange rate of the Renminbi (the "**RMB**") against the US$ was highly volatile in the first half of 2018. During the remainder of the year, the escalation in the disputes between the PRC and the USA, the two largest economies in the world, contributed to an overall slowdown of global economic growth.

Although exports from the PRC were adversely affected by the uncertainties arising from the trade tension with the USA, the apparel manufacturing industry in Vietnam grew rapidly as a result, assisted by the coming into effect of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (the "**CPTPP**") in January 2019. Vietnam has officially entered the CPTPP as the seventh country to do so following Japan, Canada, Australia, New Zealand, Mexico and Singapore. This is expected to have a significant effect in growing the apparel and other production markets in Vietnam, with the result that products labelled "Made in Vietnam" will become far more well known globally.

BUSINESS REVIEW

Group financial performance

Against the background of slowing global trade and the stand-off between the USA and the PRC during 2018, revenue growth of the Group continued satisfactorily as a result of the positive market share gains by our key customers. The Group's revenue increased by 14.6% to US$2,496 million (2017: US$2,178 million) while gross profit increased by 6.2% to US$470 million (2017: US$442 million) reflecting the increased costs. Consequently, the rate of gross margin for the year ended 31 December 2018 was 18.8% (2017: 20.3%).

Two factors contributed in large part to the decrease in gross margin. One was the appreciation in the RMB, which started at the beginning of 2018 and led to a sharp increase in our operating costs in the PRC, in the first half of the year. This impact was most significant in our Denim business where production capacity was mostly concentrated in the PRC at that time. The second factor was the shortage of labour in the PRC that caused the Group to accelerate the pace and scale of the expansion of our overseas' production capacity in the second half of the year. The Group experienced higher than previously budgeted increases in the costs of this additional capacity, resulting from the inevitable sub-optimal efficiency and greater costs of training new, initially inexperienced workers at these new facilities. The gross margins of the product categories in which the Group expanded overseas' capacity more rapidly than originally planned, such as those of the Denim, Intimate and Sportswear and outdoor apparel business, were adversely impacted by these start-up costs. Net profit remained flat at US$149 million (2017: US$149 million), with a net margin of 6.0% (2017: 6.8%).

The Board has resolved to propose a final dividend of HK8.4 cents per share. Taken together with the interim dividend of HK4 cents per share, the total dividend for the year amounts to HK12.4 cents per share representing a distribution of 30% of the Group's net profit for the year ended 31 December 2018.

Diversified product portfolio

Crystal is unique in terms of its wide product portfolio. The Group has five product categories, namely Lifestyle wear, Denim, Intimate, Sportswear and outdoor apparel, and Sweater. This portfolio of diversified product categories is unusual amongst apparel manufacturers, globally. The range of product offerings, allows the Group to serve our branded customers more effectively, by providing them with a one-stop solution to support their business development needs while also providing the Group the potential to grow its business by recognising and achieving cross-selling opportunities. By taking advantage of these opportunities, we expand our sales beyond the single product category into multiple categories, to the benefit of our key customers and their brands. This situation gives the Group the potential over the longer term to benefit from both strong gains in market share and to be positioned uniquely as a competitive market leader during the period as the industry continues to consolidate.

For the year ended 31 December 2018, the revenue contribution from each product category was as follows:

Product category	**% of Revenue in 2018**
Lifestyle wear	38%
Denim	25%
Intimate	17%
Sportswear and outdoor apparel	10%
Sweater	10%

Lifestyle wear continued to be the largest contributor of revenue, both in terms of magnitude and growth rate, growing 19.2% in 2018 and was the major product category contributing to the overall 14.6% growth in the Group's revenue. This indicates the resilience of our overall revenue growth that is one of the significant advantages derived from our multi-category product portfolio.

Diversified production base — the importance of Vietnam

The Group has many years' experience operating scalable production facilities in various international locations. Since the Group ventured into Vietnam in 2003, we have become one of the largest international corporations there, in terms of export volume, for apparel. This position is a combination of early mover advantage and long years of trade and operating experience. The Group has a multi-country manufacturing platform, one of the key components of our ability to attract and retain customers, since we are well positioned to support our customers' expansion plans and their various growth strategies in diversified markets.

The Group's multi-country manufacturing platform spans five countries, namely, Vietnam, the PRC, Cambodia, Bangladesh and Sri Lanka. Vietnam is now the largest production base for the Group. Overall, 66% of our production capacity was outside the PRC, in terms of revenue contribution, for the year ended 31 December 2018 (2017: 61%). The share of revenue by region was as follows:

	FY2018	FY2017
The PRC	**34%**	39%
Non-PRC	**66%**	61%

Accelerated expansion in Southeast Asian countries — to provide benefits in the longer term

The Group believes Southeast Asia is the most suitable location for our capacity expansion strategy. This expansion has enabled the Group to meet the increasing demands from our customers during 2018. Our production capacity in Southeast Asia has allowed us to benefit from the lower costs of operations, in terms of labour supply, skillsets and wage levels of local workers as well as taxation benefits, foreign exchange fluctuations and the like. Therefore, the Group accelerated its planned expansion in terms of both the construction and the scale of the projects in Southeast Asia, during the second half of 2018. The Group realised the accelerated migration would result in margin pressure across our major product categories in 2018, due to our having to incur additional start-up costs in the new production facilities in the near term. The efficiency of the new production facilities are expected to improve steadily and benefit the Group in the longer term.

Future prospects and outlook

The Group plans to continue expanding its production capacity, in strategic locations in Southeast Asia. The Group believes this is a sensible strategic direction that will lay a solid foundation for the future growth of our business. In contrast, the increasing costs of operating in the PRC, caused by the shortage of labour, wage increases and currency fluctuations, with further uncertainties arising from the prolonged trade disputes and negotiations between the USA and the PRC. These uncertainties are expected to continue and result in increased demand from our branded customers, enabling us to seek further alternative overseas production capacity.

The fulfilment of our branded customers' demand is a key objective for the Group in 2019. Therefore, the Group will review its production strategies and processes to place even greater emphasis on production planning and the reallocation of customers' orders. Our customers welcome these initiatives since they will strengthen our ability to support their growing demand and enable us to respond more effectively to changes in their global sourcing strategies, in the longer term. Currently, the Group has six projects providing overseas expansion, with four being located in Vietnam, one in Bangladesh and one in Cambodia.

The further improvement of operating efficiencies continues to be one of the Group's key strategic objectives. Yet, the Group realises that business growth will be hindered, shorter term, in achieving that objective, by the reallocation of customers' orders. This reallocation is also anticipated to result in other associated costs being incurred in the near term.

In addition to nurturing business growth opportunities, and maintaining our position as a leader in the market, the Group will revise our cost structure through cost engineering and seeking to use automation to enhance our efficiency and effectiveness throughout our operations.

Awards and recognitions

Being an industry leader in product quality management, the Group is committed to providing our customers with high quality and reliability. This general approach is recognised by key customers. Listed below are samples of some of the recognition and awards that we have received from our major business partners and industry organizations in 2018:

Organization	Recognition/Award
UNIQLO Co. Ltd.	Year 2018 UNIQLO Quality Supplier Award
H&M	The Best Flash Speedy Supplier Platinum Supplier Speed Production Speed Development Collaboration (T1&T2) Best Customer Perceived Quality Best Sustainability Performance
WWF Hong Kong	Denim Factory in the PRC Platinum Label — Low Carbon Manufacturing Programme (LCMP)
Ministry of Planning and Investment in Vietnam	Certificates of merit to collectives and individuals who have excellent achievements that contribute to Vietnam's development of foreign investment during the past 30 years
Vietnam Association for Conservation of Nature and Environment	Certificate of merit to outstanding organizations and individuals in environmental protection work

This recognition by way of awards contributes to our determination to ensure full compliance of our products and service with the most stringent benchmarks and specifications of our key customers. It also contributes towards the Group being able to benefit from consolidating our list of suppliers as we comply with tightening regulations and the increasing requirements relating to corporate sustainability, in the fast-changing apparel industry.

FINANCIAL REVIEW

Revenues

The momentum in the growth of our business continued satisfactorily for all product categories in 2018. In dollar terms, the Group achieved significant growth in Lifestyle wear.

The following table gives the Group's revenue for 2018 compared with 2017, by product category, each expressed as an absolute amount and as a percentage of total revenue:

	For the Year ended 31 December			
	2018		2017	
	US$'000	***%***	*US$'000*	*%*
Lifestyle wear	**953,419**	**38.2%**	799,835	36.7%
Denim	**630,349**	**25.2%**	560,230	25.7%
Intimate	**410,896**	**16.5%**	378,263	17.4%
Sweater	**251,677**	**10.1%**	209,565	9.6%
Sportswear and outdoor apparel	**239,359**	**9.6%**	216,497	10.0%
Others [1]	**10,266**	**0.4%**	13,604	0.6%
Total Revenue	**2,495,966**	**100.0%**	2,177,994	100.0%

[1] Includes warehouse service income and income from trading of seconds.

The increased revenue for Lifestyle wear was driven by an increase in demand by our key customers. Denim revenue benefited from our customers' consolidation of their supply chains among key suppliers. Growth for Intimate was acceptable but hampered by a shortage of skilled labour in the PRC. The increased revenue for Sweater arose mainly from a large increase in low-season orders that were consciously sought to fill available low season capacity. The revenue growth for Sportswear and outdoor apparel was adversely affected by both capacity constraints and our strategy to reduce non-core customers.

The Group's sales analysed by geographic region, based on port of discharge, are given below:

	For the Year ended 31 December			
	2018		2017	
	US$'000	***%***	*US$'000*	*%*
Asia Pacific [(1)]	**986,382**	**39.5%**	844,402	38.8%
United States	**942,360**	**37.8%**	803,089	36.9%
Europe [(2)]	**458,920**	**18.4%**	451,302	20.7%
Other countries/regions	**108,304**	**4.3%**	79,201	3.6%
Total Revenue	**2,495,966**	**100.0%**	2,177,994	100.0%

(1) Asia Pacific primarily includes Japan, the PRC, Hong Kong and South Korea.

(2) Europe primarily includes the U.K., Belgium and Germany.

Strong consumer demand during 2018 in the Asia Pacific Region and the United States contributed to the increase in orders delivered to these two areas. Sales to Europe remained almost flat due to sluggish consumer demand.

Cost of sales, gross profit and gross profit margin

The principal components of cost of sales are materials, production labour cost, subcontractors' charges and equipment depreciation. The effects of the RMB appreciation in the first half, and higher-than-budgeted start-up costs at our new facilities due to accelerated expansion in the second half were significant factors in the increase in cost of sales from 79.7% of revenue in 2017 to 81.2% in 2018.

	For the Year ended 31 December			
	2018		2017	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	US$'000	***%***	*US$'000*	*%*
Lifestyle wear	**180,232**	**18.9%**	153,154	19.1%
Denim	**112,420**	**17.8%**	110,350	19.7%
Intimate	**84,279**	**20.5%**	84,026	22.2%
Sweater	**42,939**	**17.1%**	42,967	20.5%
Sportswear and outdoor apparel	**42,263**	**17.7%**	41,404	19.1%
Others	**7,589**	**73.9%**	10,510	77.3%
Total Gross Profit	**469,722**	**18.8%**	442,411	20.3%

For Lifestyle wear, the gross profit margin remained relatively stable at 18.9% in 2018, compared with 19.1% in 2017.

The decrease in gross profit margin for Denim, from 19.7% in 2017 to 17.8% in 2018, was caused principally by two factors: the appreciation of RMB and the additional costs incurred in starting up a new factory in Vietnam. The Group has been accelerating overseas expansion plans to respond effectively to the strong demand from our customers.

Similarly, the gross profit of our Intimate business was adversely impacted by both an appreciation of the RMB and additional costs incurred in starting up our new facilities in Vietnam. Consequently, the gross profit margin decreased from 22.2% in 2017, to 20.5% in 2018.

The decline in the gross profit margin of Sweater arose almost entirely from our taking more low season orders, which carry lower margins, to fill capacity.

Speeding up our expansion in Vietnam has led to higher start-up costs for Sportswear and outdoor apparel, resulting in the gross profit margin decreasing from 19.1% in 2017 to 17.7% in 2018.

Other expenses

Selling, distribution, administrative and other expenses increased marginally from 11.9% of revenue in 2017 to 12.0% in 2018. In endeavouring to meet our customers' demands and expectations, the constraints in our operating capacity led to an increased use of airfreight for delivering orders.

Net profit

Despite the challenges we faced, a net profit of US$149 million was achieved for the year ended 31 December 2018. Inevitably, there was a decline in net margin as a percentage of revenue, from 6.8% in 2017 to 6.0% in 2018.

Capital management

The consolidated financial position of the Group has been sound throughout the year. Positive operating cash flow of US$231 million (2017: US$173 million) contributed to cash and cash equivalents of US$300 million (2017: US$413 million, mainly due to Initial Public Offering ("**the IPO**") proceeds received in November 2017). Bank borrowings were reduced significantly, amounting to US$434 million at 31 December 2018 (2017: US$530 million). Cash and cash equivalents and bank borrowings are mainly denominated in HK$ and US$. As a result of the above, the gearing ratio (total interest-bearing bank borrowings less bank balances and cash, divided by total equity) at 31 December 2018 was healthy at 13.4% (2017: 12.5%).

Foreign currency exchange contracts are used to manage foreign currency exposure. At 31 December 2018, the notional amount of outstanding foreign currency contracts in respect of the RMB against the US$ was US$170 million. The Group policy is to monitor its foreign currency exposure and to use foreign currency exchange contracts as appropriate, to minimise foreign currency risks.

Close attention is given to the management of working capital, and as a result, the cash conversion cycle improved from 63 days in 2017 to 60 days in 2018. Trade and bills receivable turnover was reduced from 44 days in 2017 to 42 days in 2018, primarily due to the continuous improvement in management of trade receivables. Inventory turnover went from 49 days in 2017 to 48 days in 2018, as a consequence of the improvement in inventory management during the year. Average turnover of trade and bills payable, remained stable at 30 days in 2018 (2017: 30 days).

The Group is continuing to expand its production capacity outside the PRC. In 2018, capital expenditure amounted to US$177 million, of which 18% was incurred in the PRC, compared to US$154 million in 2017, of which 27% was incurred the PRC. The planned expansion of capacity through four factories in Vietnam and one in Bangladesh represents the implementation of our strategy to migrate production to low cost countries. Capital commitments at 31 December 2018 were US$62 million compared to US$53 million at 31 December 2017.

Use of proceeds from the Initial Public Offering

The net proceeds ("**Net Proceeds**") from the issue of new shares of the Company for listing on the Stock Exchange on the Listing Date were US$488 million (HK$3,809 million) and have been applied in accordance with the allocation set out in the prospectus of the Company of 23 October 2017 as follows:

- US$220 million (HK$1,714 million), representing 45% of the net proceeds for capital expenditure to increase manufacturing capacity

- US$97 million (HK$762 million), representing 20% of the net proceeds for upstream vertical integration into fabric production in Asia

- US$122 million (HK$952 million), representing 25% of the net proceeds for the repayment of Vista Corp Holdings Limited and its subsidiaries (the "**Vista**") related loans

- US$49 million (HK$381 million), representing 10% of the net proceeds for working capital and general corporate purposes

The Net Proceeds of US$78 million (HK$610 million) originally intended for additional manufacturing facilities for Denim and Intimate in Bangladesh and upstream vertical integration in Bangladesh for Lifestyle wear and Sportswear and outdoor apparel remain unutilised (the "**Relevant Unutilised Net Proceeds**"). On 13 March 2019, for the reason set out in the paragraph headed "Reason for the change in use of proceeds" below, the Board has resolved to reallocate the Relevant Unutilised Net Proceeds to construct production facilities in Vietnam for Lifestyle wear, Sweater, Sportswear and outdoor apparel, Denim and Intimate. The Net Proceeds will be utilised in the manner set out as follows:

Use	**Segment**	**Original allocation of Net Proceeds as set out in the prospectus** *(US$'million)*	**Utilised Net Proceeds at 31 December 2018** *(US$'million)*	**Unutilised Net Proceeds at 31 December 2018** *(US$'million)*	**Revised allocation** *(US$'million)*	**Utilised Net Proceeds at the date of this announcement** *(US$'million)*	**Unutilised Net Proceeds at the date of this announcement** *(US$'million)*
Additional manufacturing facilities in Vietnam	Lifestyle wear, Sweater and Sportswear and outdoor apparel	49	20	29	88	20	68
Additional manufacturing facilities in Vietnam	Denim and Intimate	73	73	0	112	73	39
Additional manufacturing facilities in Bangladesh	Lifestyle wear and Sportswear and outdoor apparel	59	41	18	59	41	18
Additional manufacturing facilities in Bangladesh	Denim and Intimate	39	0	39	0	0	0
Upstream vertical integration in Asia		58	0	58	58	0	58
Upstream vertical integration in Bangladesh	Lifestyle wear and Sportswear and outdoor apparel	39	0	39	0	0	0
Repayment of Vista related loans		122	122	0	122	122	0
Working capital and general corporate purposes		49	49	0	49	49	0
Total		488	305	183	488	305	183

Use	Segment	Original allocation of Net Proceeds as set out in the prospectus *(HK$'million)*	Utilised Net Proceeds at 31 December 2018 *(HK$'million)*	Unutilised Net Proceeds at 31 December 2018 *(HK$'million)*	Revised allocation *(HK$'million)*	Utilised Net Proceeds at the date of this announcement *(HK$'million)*	Unutilised Net Proceeds at the date of this announcement *(HK$'million)*
Additional manufacturing facilities in Vietnam	Lifestyle wear, Sweater and Sportswear and outdoor apparel	381	156	225	686	156	530
Additional manufacturing facilities in Vietnam	Denim and Intimate	571	571	0	876	571	305
Additional manufacturing facilities in Bangladesh	Lifestyle wear and Sportswear and outdoor apparel	457	316	141	457	316	141
Additional manufacturing facilities in Bangladesh	Denim and Intimate	305	0	305	0	0	0
Upstream vertical integration in Asia		457	0	457	457	0	457
Upstream vertical integration in Bangladesh	Lifestyle wear and Sportswear and outdoor apparel	305	0	305	0	0	0
Repayment of Vista related loans		952	952	0	952	952	0
Working capital and general corporate purposes		381	381	0	381	381	0
Total		3,809	2,376	1,433	3,809	2,376	1,433

Reason for the change in use of proceeds

The management of the Company, having reviewed its expansion plans, considered that there was no urgent need to increase its production capacity in Bangladesh for Denim and Intimate, and to pursue the upstream vertical expansion in Bangladesh for Lifestyle wear and Sportswear and outdoor apparel. Consequently, the Group plans to reallocate its resources to reinforcing the Vietnam production base and intends to utilise the balance of the Net Proceeds in the manner set out above. The Board considers that the change in use of proceeds is in the interests of the Company and its Shareholders as a whole and will continue to monitor the use of the Net Proceeds. Save for the aforesaid changes, there has been no other change in the use of the Net Proceeds.

Contingent liabilities

At 31 December 2018, the Group had no material contingent liability (2017: Nil).

Employment, training and development

The Group employed over 80,000 people at 31 December 2018. Total staff costs, including administrative and management staff, for the year ended 31 December 2018 equated to 24.8% of revenue compared to 24.2% in 2017. The increase was mainly due to an increase in the staff costs in the PRC, as a result of the RMB appreciation, and increase in incentive pay for factory labour, to cope with the shortage of labour. The Group will continue to migrate production facilities to low cost countries to counteract this trend. Nevertheless, the Group remunerates its staff according to their performance, qualifications and industry practices, and conducts regular reviews of its remuneration policy. Employees may receive discretionary bonuses and monetary rewards based on their ratings in annual performance appraisals. The Group also offers rewards or other incentives to motivate the personal growth and career development of employees, such as ongoing opportunities for training to enhance both their technical and product knowledge and their knowledge of industry quality standards. Each new employee of the Group is required to attend an introductory course, whilst continuous training is available to all employees of the Group.

OTHER INFORMATION

Final dividend

The Board has resolved to propose a final dividend of HK8.4 cents per ordinary share for the year ended 31 December 2018.

The proposed final dividend payment is subject to approval by the Shareholders at the annual general meeting (the "**AGM**") to be held on Wednesday, 5 June 2019. If approved by Shareholders, the proposed final dividend is expected to be paid on Friday, 5 July 2019 to Shareholders whose names appear on the register of members of the Company on Monday, 24 June 2019.

Closure of register of members for entitlement to attend and vote at AGM and to final dividend

The forthcoming AGM will be held on 5 June 2019. Notice of the AGM will be sent to its Shareholders in due course. For the purpose of determining Shareholder's eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 31 May 2019 to Wednesday, 5 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 30 May 2019.

For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 20 June 2019 to Monday, 24 June 2019, both days inclusive, during which period no transfer of shares will be registered. To qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 19 June 2019.

Corporate Governance Practices

The Group has complied with the Code Provisions (the "**Code Provisions**") set out in the Corporate Governance Code contained in Appendix 14 to Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") for the year ended 31 December 2018.

Directors' securities transactions

The Group has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Upon specific enquiries being made of all directors, each of them has confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 December 2018.

The Group has established written guidelines for relevant employees with no less exacting terms than the Model Code in respect of securities transactions. No incident of non-compliance with the written guidelines was noted for the year ended 31 December 2018.

Purchase, sale or redemption of listed securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2018.

Event occurring after the reporting period

At the date of this announcement, no material event has occurred after the reporting period.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Audit Committee and Review on the annual results

The Audit Committee (the "**AC**") reviewed the Group's audited consolidated financial statements and reports relating to the year ended 31 December 2018 together with the external auditors satisfying itself as to the extent of work done by the external auditors, the consistent application of Group accounting policies, the appropriateness of financial judgements applied and the compliance with Board approved limits of connected party transactions. The AC also reviewed unaudited condensed consolidated financial statements and reports issued by the Group for the six months ended 30 June 2018. In view of their material significance to the Group, the AC has given ongoing attention to the valuation of intangible assets. The AC was satisfied with the outcome of its various reviews.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and the website of the Company at http://www.crystalgroup.com, and the annual report of the Company for the year ended 31 December 2018 will be dispatched to Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 13 March 2019

As at the date of this announcement, the Board 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.