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 2019

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2019 amounted to US$2,428 million (2018: US$2,496 million).
- Net profit for the year ended 31 December 2019 amounted to US$152 million (2018: US$149 million), representing a net margin of 6.3% (2018: 6.0%).
- Proposed to declare a final dividend of HK8.5 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 2019, together with the comparative figures for the year ended 31 December 2018.

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 US$'000	2018 US$'000
Revenue	3	**2,427,723**	2,495,966
Cost of sales		**(1,965,033)**	(2,026,244)
Gross profit		**462,690**	469,722
Other income, gains or losses		**13,236**	15,164
Selling and distribution expenses		**(27,621)**	(42,836)
Administrative and other expenses		**(259,195)**	(255,814)
Finance costs		**(17,271)**	(17,859)
Share of results of an associate		**2,483**	1,623
Profit before tax	4	**174,322**	170,000
Income tax expense	5	**(22,418)**	(20,808)
Profit for the year		**151,904**	149,192
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(7,142)**	(23,266)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit assets/liabilities		**2,364**	(178)
Deferred tax expense arising on defined benefit assets/liabilities		**(532)**	(105)
Surplus on revaluation of properties		**3,785**	6,582
Deferred tax expense arising on revaluation of properties		**(160)**	(1,416)
		5,457	4,883
Other comprehensive expense for the year		**(1,685)**	(18,383)
Total comprehensive income for the year		**150,219**	130,809
Earnings per share *(US cents)*	6		
— basic		**5.33**	5.24
— diluted		**5.33**	5.23

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	2019 US$'000	2018 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**671,120**	670,731
Right-of-use assets		**61,261**	–
Deposits paid for acquisition of property, plant and equipment		**11,193**	6,419
Prepaid lease payments		**–**	37,298
Goodwill		**74,941**	74,941
Intangible assets		**90,776**	95,693
Defined benefit assets		**3,238**	–
Interest in an associate		**19,081**	16,638
Loan receivables		**2,063**	1,861
		933,673	903,581
Current assets			
Inventories		**275,539**	277,807
Right-of-use assets		**3,763**	–
Prepaid lease payments		**–**	960
Trade, bills and other receivables	*8*	**326,992**	337,220
Trade receivables at fair value through other comprehensive income		**6,515**	10,697
Amounts due from related companies		**1,506**	733
Loan receivables		**1,023**	674
Tax recoverable		**317**	5,954
Bank balances and cash		**266,840**	302,326
		882,495	936,371
Total assets		**1,816,168**	1,839,952

	Note	**2019**	2018
		US$'000	*US$'000*
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**3,654**	3,654
Reserves		**1,084,364**	982,785
Total equity		**1,088,018**	986,439
Non-current liabilities			
Other payables	*9*	**1,300**	4,190
Lease liabilities		**16,458**	–
Deferred taxation		**32,645**	32,685
		50,403	36,875
Current liabilities			
Trade, bills and other payables	*9*	**356,401**	360,246
Lease liabilities		**13,073**	–
Amount due to an associate		**11,862**	3,607
Derivative financial instruments		**–**	7,462
Tax liabilities		**18,970**	10,911
Bank borrowings		**277,441**	434,412
		677,747	816,638
Total equity and liabilities		**1,816,168**	1,839,952

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

The Company was previously incorporated in Bermuda as an exempted company with limited liability and registered by way of continuation in the Cayman Islands as an exempted company with limited liability. 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.

As detailed in the voluntary announcement made by the Company on 18 March 2019, Crystal Group Limited (previously incorporated in Bermuda and redomiciled in the Cayman Islands), the former parent and ultimate holding company of the Company, distributed all the shares in the Company held by Crystal Group Limited equally to its controlling shareholders, Mr. LO Lok Fung Kenneth and Mrs. LO CHOY Yuk Ching Yvonne (together, "**Mr. and Mrs. Lo**"), both executive directors of the Company ("**Share Transfer**"). Upon the completion of the Share Transfer, Crystal Group Limited was no longer the parent and ultimate holding company of the Company. The ultimate controlling parties of the Company are Mr. and Mrs. Lo.

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 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 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

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 positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 IFRS 16 "Leases"

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 "Leases" ("**IAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease" and not apply these standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group assesses whether a contract contains a lease based on the definition under IFRS 16.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

At 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if IFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying IFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group has applied the following practical expedients to leases previously classified as operating leases under IAS 17, on a lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. the exclusion of initial direct costs for measurement of the right-of-use assets at the date of initial application; and

ii. the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied was 6.29% per annum.

	At 1 January 2019 *US$'000*
Operating lease commitments at 31 December 2018	29,915
Lease liabilities discounted at relevant incremental borrowing rates	(2,962)
Early termination options reasonably certain to be exercised	(933)
Extension options reasonably certain to be exercised	3,420
Lease liabilities relating to operating leases recognised upon application of IFRS 16 at 1 January 2019	29,440
Analysed as:	
Current	11,634
Non-current	17,806
	29,440

The carrying amount of right-of-use assets at 1 January 2019 comprises the following:

	Right-of-use assets *US$'000*
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	24,784
Reclassified from prepaid lease payments *(note a)*	38,258
Reclassified from trade, bills and other receivables *(note b)*	1,711
	64,753
Analysed as:	
Current	162
Non-current	64,591
	64,753

Notes:

(a) Certain upfront payments for leasehold lands were classified as prepaid lease payments at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to US$960,000 and US$37,298,000, respectively, were reclassified to right-of-use assets.

(b) At 31 December 2018, the Group's advance rental payments for certain leases were included in trade, bills and other receivables. Upon application of IFRS 16, the advance rental payments amounting to US$1,711,000 were reclassified to right-of-use assets.

The following table summarises the impact of transition to IFRS 16 on retained profits at 1 January 2019.

	Impact of adopting IFRS 16 at 1 January 2019 *US$'000*
Retained profits	
Decrease upon application of IFRS 16 *(note)*	4,656

Note: The amount represents the difference between the rental expenses charged to profit or loss under IAS 17 and the aggregate amount of depreciation of right-of-use assets and interest expense on lease liabilities under IFRS 16 if IFRS 16 had been applied since the commencement dates of the leases.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under IFRS 16 at 1 January 2019
	US$'000	*US$'000*	*US$'000*
Non-current Assets			
Prepaid lease payments	37,298	(37,298)	–
Right-of-use assets	–	64,591	64,591
Current Assets			
Prepaid lease payments	960	(960)	–
Right-of-use assets	–	162	162
Trade, bills and other receivables	337,220	(1,711)	335,509
Total effect on assets	375,478	24,784	400,262
Capital and Reserves			
Retained profits	(473,635)	4,656	(468,979)
Current Liabilities			
Lease liabilities	–	(11,634)	(11,634)
Non-current liabilities			
Lease liabilities	–	(17,806)	(17,806)
Total effect on equity and liabilities	(473,635)	(24,784)	(498,419)

Note: For the purpose of reporting cash flows from operating activities under the indirect method for the year ended 31 December 2019, movements in working capital have been computed based on the opening consolidated statement of financial position at 1 January 2019 disclosed above.

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 the point 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 chief executive officer of the Group, 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) Sportswear and outdoor apparel

(v) Sweater

(vi) Others

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

Segment revenue and results

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

Year ended 31 December 2019

	Lifestyle wear *US$'000*	Denim *US$'000*	Intimate *US$'000*	Sportswear and outdoor apparel *US$'000*	Sweater *US$'000*	Others *US$'000*	Total *US$'000*
SEGMENT REVENUE							
External sales	**941,618**	**583,342**	**427,664**	**244,189**	**223,201**	**7,709**	**2,427,723**
Segment profit	**185,520**	**101,024**	**88,384**	**45,812**	**36,304**	**5,646**	**462,690**
Other income, gains or losses							**13,236**
Selling and distribution expenses							**(27,621)**
Administrative and other expenses							**(259,195)**
Finance costs							**(17,271)**
Share of results of an associate							**2,483**
Profit before tax							**174,322**

Year ended 31 December 2018

	Lifestyle wear *US$'000*	Denim *US$'000*	Intimate *US$'000*	Sportswear and outdoor apparel *US$'000*	Sweater *US$'000*	Others *US$'000*	Total *US$'000*
SEGMENT REVENUE							
External sales	953,419	630,349	410,896	239,359	251,677	10,266	2,495,966
Segment profit	180,232	112,420	84,279	42,263	42,939	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

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 a customer individually contributing over 10% of the Group's revenue is as follows:

	Segment	**2019** ***US$'000***	2018 *US$'000*
Customer A	Lifestyle wear, Denim, Intimate, Sportswear and outdoor apparel and Sweater	**919,557**	920,579

Geographical information

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

	2019	2018
	US$'000	*US$'000*
Asia Pacific *(note i)*	**968,345**	986,382
United States	**905,674**	942,360
Europe *(note ii)*	**440,932**	458,920
Other countries/regions	**112,772**	108,304
	2,427,723	2,495,966

Notes:

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

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

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

	2019	2018
	US$'000	*US$'000*
Asia Pacific *(note i)*	**920,948**	894,801
Europe *(note ii)*	**7,424**	6,919
	928,372	901,720

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

	2019	2018
	US$'000	*US$'000*
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**6,638**	5,176
Other staff costs	**529,860**	564,867
Redundancy costs *(note)*	**11,941**	–
Retirement benefit schemes contributions for other staff	**50,290**	49,715
Total staff costs	**598,729**	619,758
Auditors' remuneration:		
— audit services	**1,066**	1,077
— non-audit services	**354**	522
Amortisation of prepaid lease payments	**–**	1,004
Cost of inventories recognised as expenses	**1,952,113**	2,016,951
Write-down of inventories	**12,920**	9,293
Depreciation of property, plant and equipment	**78,002**	67,860
Depreciation of right-of-use assets	**14,622**	–
Impairment loss recognised (reversal) in respect of property, plant and equipment *(note)*	**2,116**	(4,732)
Amortisation of intangible asset (included in selling and distribution expenses)	**4,917**	4,917
Net loss arising from changes in fair value/derecognition of derivative financial instruments	**1,438**	7,340

Note: As detailed in the voluntary announcement made by the Company on 12 June 2019, the directors of the Company have reviewed the Group's manufacturing platform and have decided to increase the pace of the program of reallocation of production capacity from the PRC to non-PRC production bases (the "**Reallocation Program**"). During the year ended 31 December 2019, as a result of the Reallocation Program, an aggregate amount of US$14,057,000, including redundancy costs amounting to US$11,941,000 and impairment loss recognised in respect of property, plant and equipment amounting to US$2,116,000, has been charged to profit or loss.

5. INCOME TAX EXPENSE

	2019	2018
	US$'000	*US$'000*
The income tax expense comprises:		
Hong Kong Profits Tax		
— current year	**10,222**	8,977
— under(over)provision in prior years	**95**	(59)
Overseas taxation		
— current year	**12,403**	12,129
— under(over)provision in prior years	**256**	(822)
	22,976	20,225
Deferred taxation	**(558)**	583
	22,418	20,808

In March 2018, the Hong Kong Government introduced the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity are taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

The directors of the Company consider 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 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 while they fulfil 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 owners of the Company is based on the following data:

	2019	2018
	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	**151,904**	149,192
	'000	*'000*
Number of shares:		
Number of ordinary shares in issue *(note i)*	**2,852,822**	2,852,822
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(note ii)*	**2,849,170**	2,845,168
Effect of dilutive potential ordinary shares:		
— Share Award Scheme B	**3,139**	6,013
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,852,309**	2,851,181

Notes:

(i) In November 2017, the Company issued 13,062,000 ordinary shares to the participants under the Share Award Scheme B and held by the Trustee until the participants fulfilled the condition of service period specified in the Share Award Scheme B. At 31 December 2019, the number of shares held by the Trustee under the Share Award Scheme B is nil (2018: 4,261,500). For illustration purpose, the earnings per ordinary share in issue is US5.32 cents (2018: US5.23 cents).

(ii) The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been arrived at after deducting the number of shares held by the Trustee of Share Award Scheme B.

7. DIVIDENDS

	2019	2018
	US$'000	*US$'000*
Final, paid — HK8.4 cents per ordinary share for 2018 (2018: HK12.3 cents per ordinary share for 2017)	**30,618**	44,582
Interim, paid — HK4 cents per ordinary share for 2019 (2018: HK4 cents per ordinary share for 2018)	**14,522**	14,496
	45,140	59,078

A final dividend of HK8.5 cents (2018: HK8.4 cents) per ordinary share in total of approximately HK$242,490,000 (equivalent to approximately US$31,137,000) (2018: HK$239,279,000 (equivalent to approximately US$30,618,000)), in respect of the year ended 31 December 2019 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

	2019	2018
	US$'000	*US$'000*
Trade receivables — contracts with customers	**272,567**	272,711
Bills receivable	**388**	1,310
Temporary payments	**8,974**	11,476
Other deposits and prepayments	**45,063**	51,723
	326,992	337,220

The following is an aged analysis of trade receivables, net of allowance for credit losses, based on invoice dates.

	2019	2018
	US$'000	*US$'000*
Within 60 days	**262,524**	253,237
61 to 90 days	**8,626**	18,336
91 to 120 days	**853**	987
over 120 days	**564**	151
	272,567	272,711

9. TRADE, BILLS AND OTHER PAYABLES

	2019	2018
	US$'000	*US$'000*
Trade payables	**170,974**	178,978
Bills payable	**4,710**	3,455
Accrued staff cost	**90,546**	81,368
Other payables	**53,647**	49,797
Other accruals	**37,824**	50,838
Total trade, bills and other payables	**357,701**	364,436

The total is analysed for reporting purposes as:

	2019	2018
	US$'000	*US$'000*
Current	**356,401**	360,246
Non-current	**1,300**	4,190
	357,701	364,436

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

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

	2019	2018
	US$'000	*US$'000*
Within 60 days	**149,308**	155,019
61 to 90 days	**19,542**	22,510
91 to 120 days	**705**	666
over 120 days	**1,419**	783
	170,974	178,978

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

Trade tensions and commercial disputes between the United States of America (the "**USA**") and the PRC, that started in the second half of 2018, adversely impacted the Group's operations in 2019. While trade disputes continue between the USA and the PRC, Vietnam has benefited from its membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which came into effect in January 2019. In addition, Vietnam signed a free trade agreement with the European Union on 30 June 2019, leading towards the potential elimination of nearly all tariffs, over the next decade, on products traded between the two parties. The Group believes these agreements will benefit exports from Vietnam and boost the local economy, including the development of its manufacturing industry.

BUSINESS REVIEW

Reallocation Program in 2019

During 2019, the growing uncertainties arising from the trade tensions mentioned above led to customers increasing their demands for the Group's production to be moved from the PRC to non-PRC production bases. In a controlled response, the Group has reviewed its multi-country manufacturing platform and implemented the Reallocation Program. Under the Reallocation Program, the Group has decided to rationalise its base in the PRC, and to increase production capacity in its non-PRC production bases, particularly in Vietnam. While the Group believes such reallocation will bring revenue and cost benefits to the Group in the longer term, there has inevitably been an adverse impact on the Group's revenue and profitability in 2019.

The reduced capacity in the PRC under the Reallocation Program caused the Group's revenue for the year ended 31 December 2019, to decline slightly to US$2,428 million (2018: US$2,496 million). Gross profit for the year ended 31 December 2019 was US$463 million (2018: US$470 million), representing a gross profit margin of 19.1% (2018: 18.8%). Net profit for year ended 31 December 2019 was US$152 million (2018: US$149 million), representing a net margin of 6.3% (2018: 6.0%). The net profit is stated after charging one-off costs of approximately US$14 million in relation to the Reallocation Program.

The Board appreciates the continuing support of shareholders and has resolved to propose a final dividend of HK8.5 cents per ordinary share. Taken together with the interim dividend of HK4 cents per share, total dividend for the year ended 31 December 2019 will amount to HK12.5 cents, (2018: HK12.4 cents), representing a distribution of 30% of the Group's net profit for the year.

Multi-country Manufacturing Platform

The Group implemented active strategies to cope with the adverse operating environment resulting from the trade tensions between the USA and the PRC. The revenue contribution from the Group's production in the PRC shipping to the United States market (the "**US market**") decreased significantly from approximately 14% in 2018 to about 6% in the second half of 2019.

The Group's multi-country manufacturing platform spans five countries, namely Vietnam, the PRC, Cambodia, Bangladesh and Sri Lanka. For the year ended 31 December 2019, 74% of the Group's production capacity was located outside the PRC, in terms of revenue contribution (2018: 66%). Since venturing into Vietnam in 2003, the Group has become one of the largest producers of apparel, in terms of export volume, there. At present, Vietnam continues to be the largest production base for the Group.

FINANCIAL REVIEW

Revenues

In view of the growing uncertainties arising from trade tensions between the USA and the PRC, the Group has continued to implement the Reallocation Program mentioned previously. Consequently, the Group's revenue declined slightly in 2019.

The following table gives the Group's revenue for 2019 compared with 2018, by product category, each expressed as an absolute amount and as a percentage of total revenue.

	For the Year ended 31 December			
	2019		2018	
	US$'000	***%***	*US$'000*	*%*
Lifestyle wear	**941,618**	**38.8%**	953,419	38.2%
Denim	**583,342**	**24.0%**	630,349	25.2%
Intimate	**427,664**	**17.6%**	410,896	16.5%
Sportswear and outdoor apparel	**244,189**	**10.1%**	239,359	9.6%
Sweater	**223,201**	**9.2%**	251,677	10.1%
Others *(note)*	**7,709**	**0.3%**	10,266	0.4%
Total Revenue	**2,427,723**	**100.0%**	2,495,966	100.0%

Note: Includes warehouse services income and income from trading of seconds.

The revenue decline in Lifestyle wear stemmed from decreasing sales in department store retailers. The decrease in revenue for Denim resulted directly from the adverse impact of the intensifying trade tensions between the USA and the PRC. Revenue growth for Intimate was driven by an increase in demand from our key customers. The increase in revenue for Sportswear and outdoor apparel arose mainly from a new customer. The decreased revenue for Sweater was due to the revision of our production capacity that made it more efficient.

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

	For the Year ended 31 December			
	2019		2018	
	US$'000	***%***	*US$'000*	*%*
Asia Pacific *(note a)*	**968,345**	**39.9%**	986,382	39.5%
United States	**905,674**	**37.3%**	942,360	37.8%
Europe *(note b)*	**440,932**	**18.2%**	458,920	18.4%
Other countries/regions	**112,772**	**4.6%**	108,304	4.3%
Total Revenue	**2,427,723**	**100.0%**	2,495,966	100.0%

Notes:

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

(b) Europe primarily includes Belgium, France, Germany, the Netherlands, and the U.K..

The Group's sales analysed by principal country of production, were:

	For the Year ended 31 December			
	2019		2018	
	US$'000	***%***	*US$'000*	*%*
Non-PRC	**1,805,207**	**74.4%**	1,640,345	65.7%
PRC	**622,516**	**25.6%**	855,621	34.3%
Total Revenue	**2,427,723**	**100.0%**	2,495,966	100.0%

The above shows the effect of the Group's policy of migrating production to lower cost countries.

Cost of Sales, Gross Profit and Gross Profit Margin

	For the Year ended 31 December			
	2019		2018	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	US$'000	***%***	*US$'000*	*%*
Lifestyle wear	**185,520**	**19.7%**	180,232	18.9%
Denim	**101,024**	**17.3%**	112,420	17.8%
Intimate	**88,384**	**20.7%**	84,279	20.5%
Sportswear and outdoor apparel	**45,812**	**18.8%**	42,263	17.7%
Sweater	**36,304**	**16.3%**	42,939	17.1%
Others	**5,646**	**73.2%**	7,589	73.9%
Total Gross Profit	**462,690**	**19.1%**	469,722	18.8%

The Lifestyle wear gross profit margin remained stable at 19.7% in 2019, compared with 18.9% in 2018.

The slight decline in gross profit margin for Denim arose from the reallocation of production from existing mature production bases in the PRC to newly established production units outside the PRC that are now operating at the required level of efficiency.

The Intimate gross profit margin remained relatively stable at 20.7% in 2019, compared with 20.5% in 2018.

The gross profit margin of Sportswear and outdoor apparel increased due to the Group's strategy to reduce non-core customers.

For Sweater, the decrease in gross profit margin resulted from the revision of production capacity.

Other Expenses and Finance Costs

Selling and distribution expenses have been tightly controlled during the year and amounted to 1.1% of revenue compared with 1.7% in 2018.

The administrative and other expenses for the year included the one-off costs of US$14 million incurred to reduce production capacity in the PRC. Without this charge, expenses would have equated to 10.1% of revenue compared with 10.2% in 2018.

The effective interest rates of the Group's variable-rate borrowings ranged from 2.30% to 5.20% (2018: 2.03% to 5.13%) per annum. Finance costs amounted to 0.7% of revenue in both 2019 and 2018.

Net Profit

The Group is pleased to report that despite the challenges faced throughout the year, a net profit of US$152 million was achieved for the year ended 31 December 2019. Net profit as a percentage of revenue increased from 6.0% in 2018 to 6.3% in 2019, reflecting the effect of the positive steps taken by the Group to contend with the difficult trade environment.

Capital Management

The consolidated financial position of the Group remained sound throughout the year. Positive operating cash flow of US$313 million (2018: US$231 million) contributed to cash and cash equivalents of US$260 million at 31 December 2019, compared with US$300 million at 31 December 2018. Cash and cash equivalents were mainly denominated in Hong Kong Dollars ("**HK$**") and US$. Bank borrowings, mainly denominated in HK$ and US$, have been reduced from US$434 million at 31 December 2018 to US$277 million at 31 December 2019. Bank borrowings of US$277 million at 31 December 2019 contained repayable on demand clauses, of which US$155 million could be repayable within one year, US$112 million in more than one year but not more than two years, and US$10 million in more than two years but not more than five years.

The gearing ratio (total interest-bearing bank borrowings, less bank balances and cash, divided by total equity) at 31 December 2019 was a healthy 1% compared with 13.4% at 31 December 2018. Close attention is given by the management to working capital, and as a result, the cash conversion cycle remained stable at 60 days for both 2019 and 2018. Average turnover of trade and bills receivables remained stable at 42 days for both 2019 and 2018. Inventory turnover averaged 51 days in 2019, compared with 48 days in 2018. Trade and bills payable turnover averaged 33 days in 2019, compared with 30 days in 2018.

The Group is continuing to expand its production capacity outside the PRC. In 2019, capital expenditure amounted to US$111 million, of which 6% was incurred in the PRC, compared with US$177 million in 2018, of which 18% was incurred in the PRC. Capital commitments at 31 December 2019 were US$42 million compared with US$62 million at 31 December 2018.

Foreign currency exchange contracts are used to manage foreign currency exposure. The Group's policy is to monitor its foreign currency exposure and use foreign currency exchange contracts as appropriate, to minimise its foreign currency risks.

Use of Proceeds from the Initial Public Offering

The net proceeds have been applied in accordance with the allocation set out in the announcement made by the Company on 13 March 2019 as follows:

- US$259 million (HK$2,019 million) for capital expenditure to increase manufacturing capacity

- US$58 million (HK$457 million) for upstream vertical integration into fabric production in Asia

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

- US$49 million (HK$381 million) for working capital and general corporate purposes

For the period from 3 November 2017 (the listing date of the Company) to 31 December 2019, US$367 million (HK$2,872 million) has been applied:

- US$196 million (HK$1,539 million) to expand manufacturing capacity,

- US$122 million (HK$952 million) to repay Vista related loans and

- US$49 million (HK$381 million) to use as working capital.

At 31 December 2019, unutilised net proceeds were deposited in licensed banks and these will be applied in accordance with the allocation set out in the announcement made by the Company on 13 March 2019. The directors of the Company intend to utilise such net proceeds in the manner disclosed in the announcement made by the Company on 13 March 2019.

Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For the year ended 31 December 2019, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures.

Significant Investments Held

For the year ended 31 December 2019, the Group had no significant investments held.

Contingent Liabilities

At 31 December 2019, the Group had no material contingent liability (2018: Nil).

Employment, Training and Development

The Group employed about 80,000 people at 31 December 2019. Total staff costs, including administrative and management staff, for the year ended 31 December 2019 equated to 24.7% of revenue, compared with 24.8% in 2018. 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 their technical and product knowledge, as well as their knowledge of industry quality standards. Each new employee of the Group is required to attend an introductory course, while there are also various types of training courses available to all employees of the Group.

OUTLOOK AND PROSPECTS

2019 has been a transitional year for the Group's operations in terms of the strategic reallocation of the Group's production bases. The Group has taken active measures to manage the operational challenges arising from the trade tensions between the USA and the PRC through its multi-country manufacturing platform. With a relatively low level of the PRC production shipping to the US market, any outcome from the trade negotiations between the USA and the PRC governments is not expected to have further material impact on the Group's operation. Looking ahead, the Group will continue to maintain and operate a diversified manufacturing platform in its existing production bases, with considered expansion of the non-PRC production bases. As such, capital expenditure for the coming year is expected to be at a level similar to 2019.

At the time of preparing this analysis, the outbreak of 2019 Novel Coronavirus ("**COVID-19**") is evolving and growing into a large-scale, multi-country epidemic, posting challenges to the operating environment for every industry especially in the first quarter of 2020. While the Group has been actively managing its operations, the epidemic is still dynamic and it will inevitably cast a shadow over the business of the Group. The Group will continue to closely monitor the situation and take all possible effective measures to respond appropriately with speed in a proactive manner. The outbreak of COVID-19 is expected to have negative impact on the global economic environments as well as the Group's revenue and profit in 2020; however, the Group is not able to estimate the financial effect at the date of this announcement.

Diversified Product Mix — Sportswear and Outdoor Apparel to Fuel Growth

It is the Group's strategy to continuously enhance its product mix, while maintaining its diversity of product categories. The Group continues to believe in the potential of the sportswear market, especially in athleisure products.

Following the acquisition of Vista in 2016, the Group has continued to meet the growing demand from key customers for its Sportswear and outdoor apparel. In response to the growing demand, the Group has been actively focusing its resources to serve its existing key customers through strategic client reshuffling. More recently, the Group has started to supply a new customer, a famous international sportswear brand, and has been cultivating a sound strategic relationship with the brand. The Group believes the reengineered customer portfolio in the Sportswear and outdoor apparel area will provide a solid foundation to fuel the Group's business growth in the future. In view of the strong demand from end consumers in the sportswear market, the Group will continue to plan for capacity expansion, the strategic focus being on its Sportswear and outdoor apparel activities with its key customers. At the same time, the Group will continue to pursue its plan for upstream vertical integration.

The core advantage of the Group's unique diversified product category offerings, a multi-country manufacturing platform, and its strong focus on corporate sustainability lead the Group to believe it will continue to benefit from longer-term industry consolidation.

OTHER INFORMATION

Final Dividend

The Board has resolved to propose a final dividend of HK8.5 cents per ordinary share for the year ended 31 December 2019.

The proposed final dividend payment is subject to approval by the Shareholders at the annual general meeting (the "**AGM**") to be held on Wednesday, 3 June 2020. If approved by Shareholders, the proposed final dividend is expected to be paid on Tuesday, 7 July 2020 to Shareholders whose names appear on the register of members of the Company on Tuesday, 23 June 2020.

Closure of Register of Members for Entitlement to Attend and Vote at AGM and to Final Dividend

The forthcoming AGM will be held on 3 June 2020. 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, 29 May 2020 to Wednesday, 3 June 2020, 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, 28 May 2020.

For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 19 June 2020 to Tuesday, 23 June 2020, 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 Thursday, 18 June 2020.

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 2019.

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 2019.

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 2019.

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 2019.

Events After the Reporting Period

The outbreak of COVID-19 in China has grown into a large-scale, multi-country epidemic during the first quarter of 2020 producing a challenging situation for all industries and society generally. The Group has assessed the overall impact of the situation on the entirety of its operations and taken all possible effective measures to limit the adverse effects of the rapidly spreading virus on people and activities. The Group is paying continuous attention to the ever-changing situation in order to respond appropriately with speed in a proactive manner. The outbreak of COVID-19 is expected to have negative impact on the global economic environments as well as the Group's revenue and profit in 2020; however, the Group is not able to estimate the financial effect at the date of this announcement.

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 2019 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 of 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 2019 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 the unaudited condensed consolidated financial statements and reports issued by the Group for the six months ended 30 June 2019. 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 2019 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, 19 March 2020

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.