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晶苑國際集團有限公司*

CRYSTAL INTERNATIONAL GROUP LIMITED

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

(Stock code: 2232)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Negatively impacted by COVID-19, revenue for the year ended 31 December 2020 amounted to US$1,985 million (2019: US$2,428 million).
- Net Profit for the year ended 31 December 2020 amounted to US$108 million (2019: US$152 million).
- Proposed to declare a final dividend of HK5.8 cents (approximately US0.7 cents) per ordinary share.
- In celebration of the 50th anniversary of the Group, the Board is pleased to propose a special dividend of HK5.0 cents per ordinary share. Altogether, total dividend per ordinary share for the year would amount to HK13.8 cents (2019: HK12.5 cents).

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 2020, together with the comparative figures for the year ended 31 December 2019.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020 US$'000	2019 US$'000
Revenue	3	**1,985,332**	2,427,723
Cost of sales		**(1,599,466)**	(1,965,033)
Gross profit		**385,866**	462,690
Other income, gains or losses		**12,195**	13,236
Impairment losses under expected credit loss model		**(12,745)**	–
Selling and distribution expenses		**(18,272)**	(27,621)
Administrative expenses		**(208,796)**	(226,462)
Research and development expenses		**(27,389)**	(32,733)
Finance costs		**(9,968)**	(17,271)
Share of results of an associate		**2,226**	2,483
Profit before tax	4	**123,117**	174,322
Income tax expense	5	**(15,032)**	(22,418)
Profit for the year		**108,085**	151,904
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**19,066**	(7,142)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit assets		**(3,117)**	2,364
Deferred tax credit (expense) arising on defined benefit assets		**399**	(532)
(Deficit) surplus on revaluation of properties		**(7,115)**	3,785
Deferred tax credit (expense) arising on revaluation of properties		**1,366**	(160)
		(8,467)	5,457
Other comprehensive income (expense) for the year		**10,599**	(1,685)
Total comprehensive income for the year		**118,684**	150,219
Earnings per share (US cents)	6		
– basic		**3.79**	5.33
– diluted		**3.79**	5.33

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	NOTES	2020 US$'000	2019 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**618,050**	671,120
Right-of-use assets		**57,056**	61,261
Deposits paid for acquisition of property, plant and equipment		**9,280**	11,193
Goodwill		**74,941**	74,941
Intangible assets		**85,859**	90,776
Defined benefit assets		**945**	3,238
Interest in an associate		**17,158**	19,081
Loan receivables		**1,252**	2,063
		864,541	933,673
Current assets			
Inventories		**235,609**	275,539
Right-of-use assets		**4,094**	3,763
Trade, bills and other receivables	8	**224,409**	326,992
Trade receivables at fair value through other comprehensive income	9	**64,987**	6,515
Amounts due from related companies		**684**	1,506
Loan receivables		**874**	1,023
Tax recoverable		**3,887**	317
Bank balances and cash		**383,427**	266,840
		917,971	882,495
Total assets		**1,782,512**	1,816,168

	NOTE	2020 US$'000	2019 US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**3,654**	3,654
Reserves		**1,160,727**	1,084,364
Total equity		**1,164,381**	1,088,018
Non-current liabilities			
Other payables	10	**1,299**	1,300
Lease liabilities		**11,902**	16,458
Deferred taxation		**30,376**	32,645
		43,577	50,403
Current liabilities			
Trade, bills and other payables	10	**357,632**	356,401
Lease liabilities		**12,183**	13,073
Amount due to an associate		**9,578**	11,862
Tax liabilities		**16,753**	18,970
Bank borrowings		**178,408**	277,441
		574,554	677,747
Total equity and liabilities		**1,782,512**	1,816,168

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1. GENERAL INFORMATION

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 Company is directly held by its controlling shareholders, Mr. LO Lok Fung Kenneth and Mrs. LO CHOY Yuk Ching Yvonne, both executive directors of the Company. 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, Kowloon, 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 consolidated financial statements are presented in United States dollars ("**US$**"), which is also the functional currency of the Company.

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the "Amendments to References to the Conceptual Framework in IFRS Standards" and the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the "Amendments to References to the Conceptual Framework in IFRS Standards" 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.

Impacts on application of Amendments to IAS 1 and IAS 8 "Definition of Material"

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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 arrived at the specific location (delivery).

(b) Segment information

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 2020

	Lifestyle wear	Denim	Intimate	Sportswear and outdoor apparel	Sweater	Others	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
SEGMENT REVENUE							
External sales	**702,921**	**470,068**	**326,023**	**304,932**	**177,916**	**3,472**	**1,985,332**
Segment profit	**146,318**	**81,865**	**64,209**	**60,541**	**31,391**	**1,542**	**385,866**
Other income, gains or losses							**12,195**
Impairment losses under expected credit loss model							**(12,745)**
Selling and distribution expenses							**(18,272)**
Administrative expenses							**(208,796)**
Research and development expenses							**(27,389)**
Finance costs							**(9,968)**
Share of results of an associate							**2,226**
Profit before tax							**123,117**

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 expenses							(226,462)
Research and development expenses							(32,733)
Finance costs							(17,271)
Share of results of an associate							2,483
Profit before tax							174,322

Segment profit represents the profit earned by each segment without allocation of other income, gains or losses, impairment losses under expected credit loss model, selling and distribution expenses, administrative expenses, research and development 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.

Certain amounts of depreciation of property, plant and equipment and right-of-use assets are included in the measure of segment results in each segment. No further analysis is presented for certain items included or excluded in the measure of segment results 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	**2020** ***US$'000***	2019 *US$'000*
Customer A	Lifestyle wear, Denim, Intimate, Sportswear and outdoor apparel and Sweater	**760,129**	919,557

Geographical information

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

	2020	2019
	US$'000	*US$'000*
Asia Pacific *(note i)*	**865,968**	968,345
United States	**692,556**	905,674
Europe *(note ii)*	**328,555**	440,932
Other countries/regions	**98,253**	112,772
	1,985,332	2,427,723

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 financial instruments is presented below by geographical location of the assets:

	2020	2019
	US$'000	*US$'000*
Asia Pacific *(note i)*	**846,031**	902,323
Europe *(note ii)*	**188**	7,424
	846,219	909,747

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

	2020	2019
	US$'000	*US$'000*
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**3,851**	6,638
Other staff costs	**435,882**	529,860
Redundancy costs *(notes a and b)*	**13,534**	11,941
Retirement benefit schemes contributions for other staff	**42,206**	50,290
Total staff costs *(note e)*	**495,473**	598,729
Auditors' remuneration:		
– audit services	**1,076**	1,066
– non-audit services	**408**	354
Cost of inventories recognised as expenses *(note e)*	**1,589,129**	1,952,113
Write-down of inventories	**10,337**	12,920
Depreciation of property, plant and equipment *(note e)*	**77,809**	78,002
Depreciation of right-of-use assets *(note e)*	**14,267**	14,622
Amortisation of intangible asset (included in selling and distribution expenses)	**4,917**	4,917
Impairment loss recognised in respect of property, plant and equipment *(notes b and c)*	**10,743**	2,116
Loss on disposals of property, plant and equipment	**6,899**	3,651
Net loss arising from changes in fair value of derivative financial instruments	**427**	1,438
Government grants *(note d)*	**(10,100)**	(1,986)

Notes:

(a) During the year ended 31 December 2020, the Group laid off certain staff due to the uncertainty of the global economic environment and the decrease of customers' demand as a result of the outbreak of 2019 Novel Coronavirus ("**COVID-19**") pandemic. Consequently, a redundancy cost of US$13,534,000 has been charged to profit or loss.

(b) As detailed in the voluntary announcement made by the Company on 12 June 2019, the directors of the Company reviewed the Group's manufacturing platform and had 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, was charged to profit or loss.

(c) During the year ended 31 December 2020, certain subsidiaries of the Company in the U.K., Sri Lanka, Bangladesh and Cambodia ("**CMUK division**"), which operate to service the European Union customers, are under restructuring. As a result, an impairment loss in respect of property, plant and equipment amounting to US$10,743,000 has been charged to profit or loss and is included in the "other income, gains or losses" line item.

(d) During the year ended 31 December 2020, the Group recognised government grants of US$2,436,000 and included them in the "other income, gains or losses" line item, which relate to the Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region. The remaining are the government grants from government authorities in different countries to support the operations of subsidiaries of the Company.

(e) Cost of inventories recognised as expenses include staff costs, depreciation of property, plant and equipment and depreciation of right-of-use assets used for production, which amounts are also included in the respective total amounts disclosed separately above.

5. INCOME TAX EXPENSE

	2020	2019
	US$'000	*US$'000*
The income tax expense comprises:		
Hong Kong Profits Tax		
– current year	**6,506**	10,222
– (over)underprovision in prior years	**(260)**	95
Overseas taxation		
– current year	**12,029**	12,403
– (over)underprovision in prior years	**(1,796)**	256
	16,479	22,976
Deferred taxation	**(1,447)**	(558)
	15,032	22,418

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 Hong Kong Dollars ("**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.

Certain 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.

According to the Macau Complementary Tax Law, the complementary tax rate of the Macau subsidiaries is 12% of the estimated assessable profit over Macau Pataca ("**MOP**") 600,000 for both years.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

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.

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

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:

	2020	2019
	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	**108,085**	151,904
	'000	*'000*
Number of shares:		
Number of ordinary shares in issue *(note a)*	**2,852,822**	2,852,822
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(note b)*	**2,852,822**	2,849,170
Effect of dilutive potential ordinary shares:		
– Share Award Scheme B	**–**	3,139
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,852,822**	2,852,309

Notes:

(a) In November 2017, the Company issued 13,062,000 ordinary shares to the participants under the Share Award Scheme B held by the Trustee until the participants fulfilled the condition of service period specified in the Share Award Scheme B. All the share awards held by employees under Share Award Scheme B were vested at 31 December 2019. For illustration purposes, the earnings per ordinary share in issue for the year ended 31 December 2019 were US5.32 cents.

(b) The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2019 has been arrived at after deducting the number of shares held by the Trustee under Share Award Scheme B.

7. DIVIDENDS

	2020	2019
	US$'000	*US$'000*
Final, paid – HK8.5 cents per ordinary share for 2019 (2019: HK8.4 cents per ordinary share for 2018)	**31,288**	30,618
Interim, paid – HK3 cents per ordinary share for 2020 (2019: HK4 cents per ordinary share for 2019)	**11,033**	14,522
	42,321	45,140

Subsequent to the end of the reporting period, a special dividend of HK5.0 cents (2019: nil) per ordinary share in total of approximately HK$142,641,000 (equivalent to approximately US$18,399,000) (2019: nil) 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.

A final dividend of HK5.8 cents (2019: HK8.5 cents) per ordinary share in total of approximately HK$165,464,000 (equivalent to approximately US$21,343,000) (2019: HK$242,490,000 (equivalent to approximately US$31,288,000)), in respect of the year ended 31 December 2020 has been proposed by the directors of the Company and is subject to approval by the Shareholders in the forthcoming annual general meeting.

8. TRADE, BILLS AND OTHER RECEIVABLES

	2020	2019
	US$'000	*US$'000*
Trade receivables – contracts with customers	**183,873**	272,567
Less: allowance for expected credit losses	**(9,218)**	–
	174,655	272,567
Bills receivable	**1,445**	388
Temporary payments to suppliers	**8,010**	8,974
Other receivables, deposits and prepayments	**40,299**	45,063
	224,409	326,992

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

	2020	2019
	US$'000	*US$'000*
Within 60 days	**160,322**	262,524
61 to 90 days	**13,245**	8,626
91 to 120 days	**1,037**	853
Over 120 days	**51**	564
	174,655	272,567

9. TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVTOCI")

As part of the Group's cash flow management, the Group factors certain trade receivables to financial institutions before the receivables are due for payment. The factored trade receivables are derecognised on the basis that the Group has transferred substantially all the risks and rewards to the relevant counterparties. Such trade receivables, that are held for the collection of contractual cash flows and sale of financial assets, have been classified as trade receivables at FVTOCI.

The following is an aged analysis of trade receivables at FVTOCI based on invoice dates.

	2020	2019
	US$'000	*US$'000*
Within 60 days	**56,167**	6,488
61 to 90 days	**8,123**	24
91 to 120 days	**504**	1
Over 120 days	**193**	2
	64,987	6,515

10. TRADE, BILLS AND OTHER PAYABLES

	2020	2019
	US$'000	*US$'000*
Trade payables	**172,881**	170,974
Bills payable	**16,224**	4,710
Accrued staff cost	**79,467**	90,546
Other payables	**51,367**	53,647
Other accruals	**38,992**	37,824
Total trade, bills and other payables	**358,931**	357,701

The total is analysed for reporting purposes as:

	2020	2019
	US$'000	*US$'000*
Current	**357,632**	356,401
Non-current	**1,299**	1,300
	358,931	357,701

At 31 December 2020, the non-current amounts are related to the purchase of property, plant and equipment and are unsecured, interest-free and repayable from 2022 to 2025 (2019: repayable in 2021).

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

	2020	2019
	US$'000	*US$'000*
Within 60 days	**142,948**	149,308
61 to 90 days	**25,176**	19,542
91 to 120 days	**2,469**	705
Over 120 days	**2,288**	1,419
	172,881	170,974

11. PLEDGE OF ASSETS

At the end of the reporting period, the Group had the following assets pledged to banks as security for general banking facilities granted to the Group:

	2020	2019
	US$'000	*US$'000*
Property, plant and equipment	**4,739**	10,540
Inventories	**8,910**	5,683
Trade receivables	**576**	20,035
	14,225	36,258

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

Since the beginning of 2020, the outbreak of the COVID-19 pandemic has severely and adversely impacted the world's economic activities. At the start of the year, the COVID-19 outbreak was impacting the PRC and a few Asian markets such as Japan and Korea during the first quarter of 2020. Subsequently, the continuing spread of COVID-19 compelled governments in Europe and the United States (the "**US**") to announce national lockdowns in the second quarter of 2020. Inevitably, lockdowns have hampered the supply chain and retail markets in the apparel industry, with manufacturers forced to shut down factories and with retailers and malls having to close stores and outlets temporarily. This situation led to increased levels of inventory at retailers, as the demand for textile and apparel products largely came to a halt in the major apparel markets, such as the US and the PRC, during this period.

In the second half of the year, demand for apparel products has seen a sequential improvement, where the markets have gradually reopened from the national lockdowns. With retail shops resuming operations, though with shortened operating hours, channel inventories at various retailers and brands have gradually been digested and have reached a healthier level than even before the pandemic during the third quarter and heading into the fourth quarter. Throughout the period, online sales across all retail brands have seen exceptional growth, as consumer behaviour has changed under the "new normal". People are spending more time at home, due to work-from-home arrangements and travel restrictions, amid the lockdowns. These consumers are now demanding more comfort/casual wear compared to traditional work wear. In addition, end-consumer demand is also influenced by the public consciousness of adopting a healthier lifestyle requiring more frequent workouts. These changes have accelerated the convergence between fashion and sportswear, creating a favourable situation for the development of athleisure wear.

Whilst every business has been hit hard by the pandemic, large-scale manufacturers are comparably more sustainable than smaller players in view of their stronger financial health, flexibility in cash flow management and the capability to respond more quickly to the rebounding customer order demand. Branded customers have paid more attention to their supply chain management during the pandemic than usual, and have been working more closely with their key vendors in every aspect ranging from conducting assessment of their financial strength to collaboratively securing container space for order shipment in order to minimise supply chain disruption. As such, we believe that the pandemic, though having a negative impact on profitability in the short term, will further accelerate supply chain consolidation and create opportunities for larger players in the longer term.

BUSINESS REVIEW

The Group's operations were negatively impacted by the pandemic. Initially in the first half of the year, the outbreak affected some of our factory operations by requiring their suspension in several of our production bases, as mandated by local governments. In addition to operation suspensions at our own factories, demand across the whole of the apparel industry was weak in the first eight months of the year, due to the imposition of control measures by various governments, which led to the piling up of channel inventories. Lockdowns and restrictions on public life in many cities of major apparel markets, such as Japan, Korea, Europe and the US, have caused several of our customers' retail shops either to close permanently or to be temporarily closed for months. The closure of the stores of our branded customers resulted in a sharp decrease in overall order demand for our products and some order cancellations, especially in April and May. A temporary extension of payment terms was granted to some of our key customers upon their request, as the closure of retail stores led to deteriorating cash flow positions of some branded customers during this period. In particular, one of our customers, Ascena Retail Group, Inc. and certain of its subsidiaries ("**Ascena**"), filed voluntary petitions under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia, the United States of America (the "**Petition**") to implement a financial restructuring plan on 23 July 2020. Our assessment of the overall default risks of our outstanding trade receivables has resulted in a degree of loss on trade receivables.

Operating in a challenging business environment this year, the Group has taken the opportunity to enhance its production efficiency across our multi-country manufacturing platform. The Group has optimised its overheads in some of our factories and streamlined certain management structures to improve the overall management efficiency in various divisions. While there is a one-off cost associated with the restructuring, it is believed that this will bring longer-term benefits to the overall operational efficiency of the Group.

Order demand rebounded meaningfully in the fourth quarter as a result of healthier inventory levels at retailers and prudent order placements by our branded customers in previous quarters. Together with the continuing strong demand from the two internationally renowned sportswear branded customers that the Group recently started to supply, we have been actively expanding capacities at our major factories to support this strong order growth.

The above factors have resulted in the Group's revenue for the year ended 31 December 2020 declining to US$1,985 million (2019: US$2,428 million) and the gross profit margin improving slightly to 19.4% (2019: 19.1%). Net profit for the year ended 31 December 2020 was US$108 million (2019: US$152 million), representing a net margin of 5.4% (2019: 6.3%).

In view of the outbreak situation in different countries, the Group has adjusted its pace of expansion and delayed some of its capital spending. Consequently, capital expenditure for the year ended 31 December 2020 was reduced, amounting to US$54 million (2019: US$111 million). Together with a healthy operating cash flow, this action has resulted in the Group achieving a net cash position at 31 December 2020 (2019: net debt to equity ratio of 1.0%).

The Board recognises the long-term support of our shareholders and has resolved to propose a final dividend of HK5.8 cents per ordinary share. Taken together with the interim dividend of HK3.0 cents per ordinary share, this represents a distribution of 30% of the Group's net profit for the year.

2020 marks the 50th anniversary of the Group's foundation in 1970. In view of the strong cash position for the Group at 31 December 2020, the Board wishes to propose a special dividend of HK5.0 cents per ordinary share in celebration of the Group's semicentenary. If approved by shareholders, the total dividend per ordinary share for the year ended 31 December 2020 would amount to HK13.8 cents (2019: HK12.5 cents).

FINANCIAL REVIEW

Revenue

The following table gives the Group's revenue for 2020 compared with 2019, by product category, each expressed as an absolute amount and as a percentage of total revenue.

	For the Year ended 31 December			
	2020		2019	
	US$'000	*%*	*US$'000*	*%*
Lifestyle wear	**702,921**	**35.4%**	941,618	38.8%
Denim	**470,068**	**23.7%**	583,342	24.0%
Intimate	**326,023**	**16.4%**	427,664	17.6%
Sportswear and outdoor apparel	**304,932**	**15.3%**	244,189	10.1%
Sweater	**177,916**	**9.0%**	223,201	9.2%
Others *(note)*	**3,472**	**0.2%**	7,709	0.3%
Total Revenue	**1,985,332**	**100.0%**	2,427,723	100.0%

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

The Group's revenue declined compared to the previous year due to occurrence of the pandemic. Certain of our customers have had to restructure their operations, including the closure of a significant number of stores for months either temporarily or permanently, resulting in a decrease in overall order demand for our products. Increases in revenue for Sportswear and outdoor apparel arose mainly from new customers.

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

	For the Year ended 31 December			
	2020		2019	
	US$'000	**%**	*US$'000*	%
Asia Pacific *(note 1)*	**865,968**	**43.6%**	968,345	39.9%
United States	**692,556**	**34.9%**	905,674	37.3%
Europe *(note 2)*	**328,555**	**16.6%**	440,932	18.2%
Other countries/regions	**98,253**	**4.9%**	112,772	4.6%
Total Revenue	**1,985,332**	**100.0%**	2,427,723	100.0%

Notes:

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

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

The Group's sales, analysed by principal country of production, are given below.

	For the Year ended 31 December			
	2020		2019	
	US$'000	**%**	*US$'000*	%
Non-PRC	**1,587,326**	**80.0%**	1,805,207	74.4%
PRC	**398,006**	**20.0%**	622,516	25.6%
Total Revenue	**1,985,332**	**100.0%**	2,427,723	100.0%

The analysis reflects the effect of our policy of migrating production to lower cost countries.

Cost of Sales, Gross Profit and Gross Profit Margin

	For the Year ended 31 December			
	2020		2019	
	Gross Profit	**Gross Profit**	Gross Profit	Gross Profit
	US$'000	***Margin %***	*US$'000*	*Margin %*
Lifestyle wear	**146,318**	**20.8%**	185,520	19.7%
Denim	**81,865**	**17.4%**	101,024	17.3%
Intimate	**64,209**	**19.7%**	88,384	20.7%
Sportswear and outdoor apparel	**60,541**	**19.9%**	45,812	18.8%
Sweater	**31,391**	**17.6%**	36,304	16.3%
Others	**1,542**	**44.4%**	5,646	73.2%
Total Gross Profit	**385,866**	**19.4%**	462,690	19.1%

For Lifestyle wear, the gross profit margin increased due to a change in customer mix. The gross profit margin of Denim remained stable in 2020. The decline in gross profit margin for Intimate is mainly due to changes in product mix. The gross profit margin of Sportswear and outdoor apparel increased due to our reengineered customer portfolio. For Sweater, the increase 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 0.9% of revenue compared with 1.1% in 2019.

As a result of the pandemic, our customers have generally experienced a deterioration in their financial position, exemplified by Ascena filing its Petition as discussed in more detail on page 16. With the increase in potential default risk by our customers, we recognised an impairment loss on trade receivables of approximately US$11.9 million in 2020.

Our administrative expenses increased to 10.5% of revenue in 2020 compared with 9.3% in 2019. The public health measures put in place in many countries to prevent the spread of the pandemic have disrupted our production, causing us to suspend some of our factory operations incurring one-off costs of US$16.2 million.

In addition, the Group streamlined of our management structure during 2020, subsidiaries in our CMUK division are restructuring, resulting in one-off costs of US$13.2 million.

The effective interest rates of the Group's variable-rate borrowings in 2020 ranged from 1.25% to 5.00% compared with 2.30% to 5.20% in 2019. The Group had no fixed-rate borrowings at 31 December 2020. Finance costs amounted to 0.5% of revenue in 2020 compared with 0.7% in 2019.

Net Profit

Given the outbreak of COVID-19 globally, net profit for the year ended 31 December 2020 decreased to US$108 million compared with US$152 million in 2019. Net profit declined as a percentage of revenue from 6.3% in 2019 to 5.4% in 2020.

Capital Management

The consolidated financial position of the Group remained sound throughout the year. Positive operating cash flow of US$324 million (2019: US$313 million) contributed to cash and cash equivalents of US$383 million at 31 December 2020, compared with US$260 million at 31 December 2019. Cash and cash equivalents were mainly denominated in HK$ and US$. Bank borrowings, mainly denominated in HK$ and US$, have been reduced from US$277 million at 31 December 2019 to US$178 million at 31 December 2020. All bank borrowings of US$178 million at 31 December 2020 contained a repayable on demand clause, of which US$122 million are to be repayable within one year and US$56 million in more than one year but not more than two years.

The Group held a positive net cash position of US$205 million at 31 December 2020. The gearing ratio (total interest-bearing bank borrowings, less bank balances and cash, divided by total equity) at 31 December 2020 was nil (31 December 2019: 1%).

The pandemic required the Group to extend customers' payment terms. As a result, our conversion cycle for the year ended 31 December 2020, averaged 64 days, compared to 60 days for the whole of 2019. Turnover of trade and bills receivables averaged 48 days in 2020, compared with 42 days average turnover throughout 2019. Inventory turnover averaged 58 days in 2020, compared with 51 days in 2019. Trade and bills payables turnover averaged 42 days in 2020 compared with 33 days in 2019.

Capital expenditure incurred, in the main, for the building, equipping and upgrading of production facilities, has been carefully managed. In 2020, capital expenditure amounted to US$54 million, compared with US$111 million in 2019. Capital commitments at 31 December 2020 were US$27 million compared with US$42 million at 31 December 2019.

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 2020, US$406 million (HK$3,170 million) of the net proceeds have been applied:

- US$235 million (HK$1,837 million) to expand manufacturing capacity
- US$122 million (HK$952 million) to repay the Vista related loans
- US$49 million (HK$381 million) to use as working capital

The net proceeds will be utilised in the manner set out as follows:

Use	Segment	Revised Allocation of Net Proceeds as set out in the Announcement 13 March 2019 *(US$'million)*	Unutilised Net Proceeds at 31 Dec 2019 *(US$'million)*	Utilised Net Proceeds in 2020 *(US$'million)*	Unutilised Net Proceeds at 31 Dec 2020 *(US$'million)*	Expected Timeline for Applying Unutilised Net Proceeds at 31 December 2020
Additional manufacturing facilities in Vietnam	Lifestyle wear, Sweater and Sportswear and outdoor apparel	88	43	24	19	By 31 December 2021
Additional manufacturing facilities in Vietnam	Denim and Intimate	112	18	13	5	By 31 December 2021
Additional manufacturing facilities in Bangladesh	Lifestyle wear and Sportswear and outdoor apparel	59	2	2	0	
Upstream vertical integration in Asia		58	58	0	58	By 31 December 2023
Repayment of Vista related loans		122	0	0	0	
Working capital and general corporate purposes		49	0	0	0	
Total		488	121	39	82	

Use	Segment	Revised Allocation of Net Proceeds as set out in the Announcement 13 March 2019 *(HK$'million)*	Unutilised Net Proceeds at 31 Dec 2019 *(HK$'million)*	Utilised Net Proceeds in 2020 *(HK$'million)*	Unutilised Net Proceeds at 31 Dec 2020 *(HK$'million)*	Expected Timeline for Applying Unutilised Net Proceeds at 31 December 2020
Additional manufacturing facilities in Vietnam	Lifestyle wear, Sweater and Sportswear and outdoor apparel	686	333	183	150	By 31 December 2021
Additional manufacturing facilities in Vietnam	Denim and Intimate	876	136	104	32	By 31 December 2021
Additional manufacturing facilities in Bangladesh	Lifestyle wear and Sportswear and outdoor apparel	457	11	11	0	
Upstream vertical integration in Asia		457	457	0	457	By 31 December 2023
Repayment of Vista related loans		952	0	0	0	
Working capital and general corporate purposes		381	0	0	0	
Total		3,809	937	298	639	

In view of the global pandemic situation, the Group has adjusted its pace of expansion and, in particular, has delayed the expansion plans in Asia for one to two years. At 31 December 2020, 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 (the "**Directors**") intend to utilise such net proceeds in the manner disclosed in the announcement made by the Company on 13 March 2019.

Pledge of Assets

At 31 December 2020, pledges of assets of the Group are set out in note 11 to the consolidated financial statements.

Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For the year ended 31 December 2020, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures.

Significant Investments Held

For the year ended 31 December 2020, the Group held no significant investments.

Contingent Liabilities

At 31 December 2020, the Group had no material contingent liability (2019: Nil).

Event after Reporting Period

The Group operates a funded defined benefit scheme for qualifying employees of its subsidiaries in the U.K. that has been closed to new members since 1999. During the current year, the subsidiaries in the U.K. are under restructuring and the Group intends to secure all rights and obligations of the scheme through transfer of the scheme's responsibilities to a U.K. regulated insurance company ("**Buy-out**"). An intention letter of this potential Buy-out has been signed by the Group subsequent to the end of the reporting period. Based on the latest available information to the Group, the Directors estimate the cost for this potential Buy-out at approximately US$15 million and this amount will be recognised in profit or loss upon completion of this potential Buy-out.

Employment, Training and Development

The Group employed about 70,000 people at 31 December 2020. Total staff costs, including administrative and management staff, for the year ended 31 December 2020 equated to 25.0% of revenue, compared with 24.7% in 2019. 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

While the current pandemic situation is still dynamic, the market has been anticipating vaccines to be available for mass injection very soon. With the availability of mass injections of vaccines, it is hoped that the pandemic situation will be brought under control and for the market to gradually resume its normal activities. Given the current healthy inventory level at various retailers, ordering sentiment across our branded customers has been positive in recent months.

The Group's major customers continue to see a strong sales rebound, especially among our sportswear customers. In addition to the end-consumer market trend towards athleisure products that benefits sales of casual and sportswear brands, the two recently added sportswear customers also contributed strong support to the Group's growth. Sportswear and outdoor apparel will continue to be the bright spot and growth driver for the Group in the near term.

The Group will continue to invest in new capacity to support the strong demand from our key customers. Capital expenditure for the coming year is expected to return to its level in 2019. The majority of capital expenditure will be invested in new projects to support our casual and sports customers. Apart from investing in garment facilities, the Group will continue its plan to pursue vertical integration for the longer-term development for the Group.

OTHER INFORMATION

Final Dividend and Special Dividend

The Board has resolved to propose a final dividend of HK5.8 cents per ordinary share for the year ended 31 December 2020 and a special dividend of HK5.0 cents per ordinary share for the 50th anniversary of the Company.

The proposed final dividend and special dividend payment are subject to approval by the Shareholders at the annual general meeting (the "**AGM**") to be held on Wednesday, 2 June 2021. If approved by Shareholders, the proposed final dividend and special dividend are expected to be paid on Wednesday, 7 July 2021 to Shareholders whose names appear on the register of members of the Company on Wednesday, 23 June 2021.

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

The forthcoming AGM will be held on 2 June 2021. Notice of the AGM will be sent to Shareholders in due course. For the purpose of determining Shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 28 May 2021 to Wednesday, 2 June 2021, 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, 27 May 2021.

For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend and special dividend, the register of members of the Company will be closed from Monday, 21 June 2021 to Wednesday, 23 June 2021, both days inclusive, during which period no transfer of shares will be registered. To qualify for the proposed final dividend and special 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 Friday, 18 June 2021.

Corporate Governance Practices

The Group has complied with 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 of Hong Kong Limited (the "**Listing Rules**") for the year ended 31 December 2020.

Directors' Securities Transactions

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Upon specific enquiry being made of all directors, each of them has confirmed their compliance with the required standards set out in the Model Code for the year ended 31 December 2020.

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 has been noted for the year ended 31 December 2020.

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 2020.

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 2020 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**") has reviewed the Group's audited consolidated financial statements and reports relating to the year ended 31 December 2020 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 2020. In view of their material significance to the Group, the AC has given ongoing attention to the valuation of intangible assets. The AC is 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 2020 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, 18 March 2021

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, Mr. WONG Sing Wah and Mr. LO Howard Ching Ho, 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.