晶苑國際集團有限公司*

CRYSTAL INTERNATIONAL GROUP LIMITED

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

(Stock code: 2232)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2019 amounted to US$1,143 million (30 June 2018: US$1,200 million).
- Net profit for the six months ended 30 June 2019 amounted to US$60 million. As disclosed in the voluntary announcement made by the Company on 12 June 2019, the net profit is stated after charging one-off costs of approximately US$14 million in relation to the program of reallocation of capacity from the PRC to non-PRC production bases (the "**Reallocation Program**"). Excluding such one-off costs, net profit for the six months ended 30 June 2019 was approximately US$74 million (30 June 2018: US$71 million).
- The Board has resolved to declare an interim dividend of HK4 cents (approximately US0.5 cent) per ordinary share (30 June 2018: HK4 cents).

INTERIM RESULTS

The board of directors (the "**Board**") of Crystal International Group Limited (the "**Company**") is pleased to announce the interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2019, together with the comparative figures for the six months ended 30 June 2018. The interim results and condensed consolidated financial statements for the six months ended 30 June 2019 have been reviewed by the independent auditors of the Company.

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	Six months ended 30 June 2019 US$'000 (unaudited)	2018 US$'000 (unaudited)
Revenue	3	**1,143,473**	1,200,286
Cost of sales		**(930,353)**	(972,040)
Gross profit		**213,120**	228,246
Other income, gains or losses		**7,170**	7,297
Selling and distribution expenses		**(14,767)**	(20,472)
Administrative and other expenses		**(127,201)**	(125,176)
Finance costs		**(8,988)**	(8,394)
Share of results of an associate		**919**	1,007
Profit before tax	4	**70,253**	82,508
Income tax expense	5	**(10,185)**	(12,005)
Profit for the period		**60,068**	70,503
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**88**	(7,514)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit liabilities		**(311)**	(59)
Deferred tax expense arising on defined benefit liabilities		**(13)**	(59)
Surplus on revaluation of properties		**2,910**	3,510
Deferred tax expense arising on revaluation of properties		**(597)**	(797)
		1,989	2,595
Other comprehensive income (expense) for the period		**2,077**	(4,919)
Total comprehensive income for the period		**62,145**	65,584
Earnings per share (US cents)	7		
– basic		**2.11**	2.48
– diluted		**2.11**	2.47

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	NOTE	At 30 June 2019 US$'000 (unaudited)	At 31 December 2018 US$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**665,097**	670,731
Right-of-use assets		**62,309**	–
Deposits paid for acquisition of property, plant and equipment		**10,730**	6,419
Prepaid lease payments		**–**	37,298
Goodwill		**74,941**	74,941
Intangible assets		**93,234**	95,693
Interest in an associate		**17,556**	16,638
Loan receivables		**1,428**	1,861
		925,295	903,581
Current assets			
Inventories		**314,786**	277,807
Right-of-use assets		**598**	–
Prepaid lease payments		**–**	960
Trade, bills and other receivables	*8*	**372,379**	337,220
Trade receivables at fair value through other comprehensive income		**17,777**	10,697
Amounts due from related companies		**616**	733
Loan receivables		**594**	674
Tax recoverable		**1,690**	5,954
Bank balances and cash		**234,075**	302,326
		942,515	936,371
Total assets		**1,867,810**	1,839,952

	NOTE	At 30 June 2019 US$'000 (unaudited)	At 31 December 2018 US$'000 (audited)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**3,654**	3,654
Reserves		**1,010,304**	982,785
Total equity		**1,013,958**	986,439
Non-current liabilities			
Other payables	*9*	**2,165**	4,190
Lease liabilities		**16,471**	–
Deferred taxation		**33,120**	32,685
		51,756	36,875
Current liabilities			
Trade, bills and other payables	*9*	**345,658**	360,246
Lease liabilities		**11,043**	–
Amount due to an associate		**5,481**	3,607
Derivative financial instruments		**3,427**	7,462
Dividend payable		**30,618**	–
Tax liabilities		**13,139**	10,911
Bank borrowings		**392,730**	434,412
		802,096	816,638
Total equity and liabilities		**1,867,810**	1,839,952

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. GENERAL AND BASIS OF PREPARATION

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 ("**Listing Date**").

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

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values, as appropriate. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Other than changes in accounting policies resulting from the application of new and amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatorily effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

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

3. REVENUE AND SEGMENT INFORMATION

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

Information reported to the 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:

Six months ended 30 June 2019 (unaudited)

	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	484,956	280,446	208,044	105,466	60,919	3,642	1,143,473
Segment profit	95,348	45,679	40,929	19,037	9,081	3,046	213,120
Other income, gains or losses							7,170
Selling and distribution expenses							(14,767)
Administrative and other expenses							(127,201)
Finance costs							(8,988)
Share of results of an associate							919
Profit before tax							70,253

Six months ended 30 June 2018 (unaudited)

	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	473,677	304,650	205,484	110,307	101,268	4,900	1,200,286
Segment profit	91,774	52,272	43,309	19,501	17,136	4,254	228,246
Other income, gains or losses							7,297
Selling and distribution expenses							(20,472)
Administrative and other expenses							(125,176)
Finance costs							(8,394)
Share of results of an associate							1,007
Profit before tax							82,508

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 results as such information is not regularly provided to the CODM.

Geographical information

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

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Asia Pacific[1]	**429,521**	478,840
United States	**429,220**	448,055
Europe[2]	**228,729**	225,106
Other countries/regions	**56,003**	48,285
	1,143,473	1,200,286

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

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

4. PROFIT BEFORE TAX

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**1,713**	1,925
Other staff costs	**256,923**	283,512
Redundancy costs *(note)*	**11,941**	–
Retirement benefit schemes contributions for other staff	**22,839**	22,425
Total staff costs	**293,416**	307,862
Amortisation of prepaid lease payments	**–**	491
Depreciation of property, plant and equipment	**38,004**	33,488
Depreciation of right-of-use assets	**6,718**	–
Amortisation of intangible asset (included in selling and distribution expenses)	**2,459**	2,459
Impairment loss recognised (reversed) in respect of property, plant and equipment (*note*)	**2,116**	(4,724)
Cost of inventories recognised as expenses	**925,771**	966,303
Write-down of inventories	**4,582**	5,737
Loss on disposals of property, plant and equipment	**33**	128
Net (gain) loss arising from changes in fair value/derecognition of derivative financial instruments	**(1,000)**	4,901

Note: As detailed in the voluntary announcement made by the Company on 12 June 2019, the directors of the Company (the "**Directors**") have reviewed the Group's production platform and have decided to increase the pace of the Reallocation Program. During the six months ended 30 June 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

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(unaudited)	(unaudited)
The income tax expense comprises:		
Hong Kong Profits Tax		
– current period	**5,493**	4,732
– under(over) provision in prior years	**101**	(81)
Overseas taxation		
– current period	**4,886**	8,598
– overprovision in prior years	**(160)**	(781)
	10,320	12,468
Deferred taxation	**(135)**	(463)
	10,185	12,005

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first Hong Kong Dollars ("**HK$**") 2 million of profits of the qualifying group entity 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 consider the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

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

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

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

6. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Final, declared, of HK8.4 cents per ordinary share for 2018 (2018: HK12.3 cents per ordinary share for 2017)	**30,618**	44,582

Pursuant to a resolution passed by the Board on 21 August 2019, the Board has resolved to declare an interim dividend of HK4 cents (six months ended 30 June 2018: HK4 cents) per ordinary share, totalling approximately HK$114,113,000 (equivalent to approximately US$14,601,000) (30 June 2018: approximately US$14,496,000) estimated on the number of shares in issue at 30 June 2019. This declared dividend is not reflected as a dividend payable in these condensed consolidated financial statements, but will be reflected as an appropriation of reserve for the year ended 31 December 2019.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purposes of calculating basic and diluted earnings per share	**60,068**	70,503
	'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)*	**2,848,613**	2,844,514
Effect of dilutive potential ordinary shares:		
– Share Award Scheme B	**2,940**	5,321
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,851,553**	2,849,835

Notes:

(a) 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 30 June 2019, the number of shares held by the Trustee under the Share Award Scheme B are 4,208,500 (30 June 2018: 8,308,000). For illustration purpose, the earnings per ordinary share in issue is US2.11 cents (six months ended 30 June 2018: US2.47 cents).

(b) 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 under the Share Award Scheme B.

8. TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2019	At 31 December 2018
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade receivables	**310,583**	272,711
Bills receivable	**925**	1,310
Temporary payments	**15,327**	11,476
Other deposits and prepayments	**45,544**	51,723
	372,379	337,220

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

	At 30 June 2019 US$'000 (unaudited)	At 31 December 2018 US$'000 (audited)
Within 60 days	**296,198**	253,237
61 to 90 days	**11,742**	18,336
91 to 120 days	**2,050**	987
Over 120 days	**593**	151
	310,583	272,711

9. TRADE, BILLS AND OTHER PAYABLES

	At 30 June 2019 US$'000 (unaudited)	At 31 December 2018 US$'000 (audited)
Trade payables	**190,720**	178,978
Bills payable	**3,403**	3,455
Accrued staff cost	**61,861**	81,368
Other payables	**49,890**	49,797
Other accruals	**41,949**	50,838
Total trade, bills and other payables	**347,823**	364,436

The total is analysed for reporting purposes as:

	At 30 June 2019 US$'000 (unaudited)	At 31 December 2018 US$'000 (audited)
Current	**345,658**	360,246
Non-current	**2,165**	4,190
	347,823	364,436

At 30 June 2019, the non-current amounts are related to the purchase of property, plant and equipment and are unsecured, interest-free and repayable from 2020 to 2021 (31 December 2018: repayable from 2020 to 2021).

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

	At 30 June 2019 US$'000 (unaudited)	At 31 December 2018 US$'000 (audited)
Within 60 days	**159,561**	155,019
61 to 90 days	**30,006**	22,510
91 to 120 days	**848**	666
Over 120 days	**305**	783
	190,720	178,978

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

The intensifying trade tensions and commercial disputes between the United States of America (the "**USA**") and the PRC continue to cast a shadow over the Group's operations. While the Group has witnessed this phenomenon since the second half of 2018, 2019 is proving to be another year of significant uncertainty regarding trade relations between these two countries. Whilst trade disputes continue between the USA and the PRC, Vietnam, on the other hand, benefits from its membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which came into effect in January 2019. Added to this, Vietnam signed a free trade agreement with the European Union on 30 June 2019, which has opened the door towards the elimination of nearly all tariffs, over the next decade, on products traded between the two entities. These agreements are believed to benefit exports from Vietnam, and will boost the local economy, as well as the development of the manufacturing industry in the region.

BUSINESS REVIEW

Reallocation Program – A Transitional Year in 2019

During the six months ended 30 June 2019, with the growing uncertainties arising from the trade tensions mentioned above, customers increased their demands for the Group's production to be from non-PRC production bases. To actively manage the situation, the Group has recently concluded a review of its multi-country production platform and has decided to increase the pace of the Reallocation Program. Under the Reallocation Program, in addition to accelerating the Group's original plan to increase its production capacity in its non-PRC production bases, particularly in Vietnam, the Group also decided to right-size its base in the PRC. As such, the Group has reduced its production capacity in the PRC. While the Group believes such reallocation should bring cost benefits to the Group in the longer term, it is inevitably impacting adversely the Group's revenue and profitability in the short term.

As a result of the reduced capacity in the PRC under the Reallocation Program, the Group's revenue for the six months ended 30 June 2019, declined to US$1,143 million (six months ended 30 June 2018: US$1,200 million). Gross profit margin was 18.6% (six months ended 30 June 2018: 19.0%), showing the slightly negative impact of the anticipated ramp-up costs at our new production facilities, resulting from the accelerated pace of expansion in the non-PRC new facilities under the Reallocation Program.

Net profit for the six months ended 30 June 2019 was US$60 million, representing a net margin of 5.3%. As previously disclosed in the voluntary announcement made by the Company on 12 June 2019, the net profit included one-off costs of approximately US$14 million in relation to the Reallocation Program. Excluding such one-off costs, the net profit for the six months ended 30 June 2019 was approximately US$74 million (six months ended 30 June 2018: US$71 million), representing a net margin of 6.5% (six months ended 30 June 2018: 5.9%).

The Board recognises the support of the shareholders, and has resolved to declare an interim dividend of HK4 cents per ordinary share (six months ended 30 June 2018: HK4 cents), representing a distribution of 24% of the Group's net profit for the six months ended 30 June 2019 (six months ended 30 June 2018: 21%).

Multi-country Manufacturing Platform

As a result of the Reallocation Program, revenue contribution from the Group's PRC production base, shipping to the United States market (the "**US market**"), has decreased from 14% for the year ended 2018 to 9% for the six months ended 30 June 2019.

The Group's multi-country manufacturing platform spans five countries, namely Vietnam, the PRC, Cambodia, Bangladesh and Sri Lanka. For the six months ended 30 June 2019, the Group has 73% of its production capacity located outside the PRC, in terms of revenue contribution (six months ended 30 June 2018: 64%). Since venturing into Vietnam in 2003, the Group has become one of the largest producers of apparel, in terms of export volume, in Vietnam. At present, Vietnam continues to be the largest production base for the Group.

FINANCIAL REVIEW

Revenue

In view of intensified trade tensions between the USA and the PRC, the Group is implementing the Reallocation Program mentioned above. Consequently, our revenue declined slightly in the first half of 2019.

The following table gives the Group's revenue for the six months ended 30 June 2019 compared to the same period in 2018, by product category, each expressed as an absolute amount and as a percentage of total revenue.

	For the six months ended 30 June			
	2019		2018	
	US$'000	*%*	*US$'000*	*%*
Lifestyle wear	**484,956**	**42.4%**	473,677	39.5%
Denim	**280,446**	**24.6%**	304,650	25.4%
Intimate	**208,044**	**18.2%**	205,484	17.1%
Sportswear and outdoor apparel	**105,466**	**9.2%**	110,307	9.2%
Sweater	**60,919**	**5.3%**	101,268	8.4%
Others[(1)]	**3,642**	**0.3%**	4,900	0.4%
Total Revenue	**1,143,473**	**100.0%**	1,200,286	100.0%

(1) Includes warehouse service income and income from trading of seconds.

The revenue growth for Lifestyle wear was driven by an increase in demand by our key customers. The decrease in revenue for Denim results directly from the adverse impact of the intensifying trade tensions between the USA and the PRC. Revenue for Intimate remained flat due to sluggish consumer demand. The revenue decline in Sportswear and outdoor apparel stemmed from our strategy to reduce non-core customers. The decreased revenue for Sweater was due to the revision of our production capacity to make it more efficient.

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

	For the six months ended 30 June			
	2019		2018	
	US$'000	***%***	*US$'000*	*%*
Asia Pacific[1]	**429,521**	**37.6%**	478,840	39.9%
United States	**429,220**	**37.5%**	448,055	37.3%
Europe[2]	**228,729**	**20.0%**	225,106	18.8%
Others	**56,003**	**4.9%**	48,285	4.0%
Total	**1,143,473**	**100.0%**	1,200,286	100.0%

(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 six months ended 30 June			
	2019		2018	
	US$'000	***%***	*US$'000*	*%*
Non-PRC	**833,662**	**72.9%**	771,572	64.3%
PRC	**309,811**	**27.1%**	428,714	35.7%
Total	**1,143,473**	**100.0%**	1,200,286	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 six months ended 30 June			
	2019		2018	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	US$'000	***%***	*US$'000*	*%*
Lifestyle wear	**95,348**	**19.7%**	91,774	19.4%
Denim	**45,679**	**16.3%**	52,272	17.2%
Intimate	**40,929**	**19.7%**	43,309	21.1%
Sportswear and outdoor apparel	**19,037**	**18.1%**	19,501	17.7%
Sweater	**9,081**	**14.9%**	17,136	16.9%
Others	**3,046**	**83.6%**	4,254	86.8%
Total Gross Profit	**213,120**	**18.6%**	228,246	19.0%

For Lifestyle wear, the gross profit margin remained relatively stable at 19.7% compared with 19.4% in first half of 2018.

The decline in gross profit margin for Denim and Intimate arose from the reallocation of production from existing mature production bases in the PRC to newly established production units outside the PRC.

The gross profit margin of Sportswear and outdoor apparel increased due to our strategy to reduce non-core customers.

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

Other Expenses and Finance Costs

Selling and distribution expenses have been tightly controlled during the first half of the year and amounted to 1.3% of revenue compared to 1.7% in the first half of 2018.

Our administrative and other expenses for the period include one-off costs of US$14 million incurred to reduce production capacity in the PRC. We have been successful in reducing our regularly recurring administrative costs during the period. Excluding the one-off costs, administrative expenses for the period equate to 9.9% of revenue compared to 10.4% for the same period in 2018.

The effective borrowing rate for the Group in the six months ended 30 June 2019 ranged from 2.30% to 5.13% compared to 2.03% to 5.00% for the same period in 2018. Finance costs amounted to 0.8% of revenue in the half year and were comparable to 0.7% in the first half of 2018.

Net Profit

As a result of the challenging business environment and the adverse cost impact of the steps taken that are enumerated above, net profit for the six months ended 30 June 2019, decreased to US$60 million compared with US$71 million for the same period in 2018. Net profit declined as a percentage of revenue from 5.9% in 2018 to 5.3% in 2019, which reflects the effect of the positive steps taken by the Group to contend with the difficult environment that continued to evolve in the first half of this year.

Capital Management

The consolidated financial position of the Group remained sound throughout the first half of 2019. Positive operating cash flow of US$39 million in the six months (US$41 million for the same period in 2018) contributed to cash and cash equivalents of US$233 million at 30 June 2019, compared to US$300 million at 31 December 2018. Cash and cash equivalents were mainly denominated in HK$ and US$. Bank borrowings, mainly denominated in HK$ and US$, have been reduced from US$434 million at 31 December 2018 to US$393 million at 30 June 2019. Bank borrowings of US$393 million at 30 June 2019 contained a repayable on demand clause, of which US$297 million to be repayable within one year, US$62 million to be repayable in more than one year but not more than two years, and US$34 million to be repayable in more than two years but not more than five years.

Gearing ratio (total interest-bearing bank borrowings, less bank balances and cash, divided by total equity) at 30 June 2019 was a healthy 15.6% compared to 13.4% at 31 December 2018. The increase in gearing ratio was mainly driven by an increase in working capital needs. Due to seasonal factors, our conversion cycle for the six months ended 30 June 2019, averaged 70 days, compared to 60 days for the whole of 2018. Inventory turnover averaged 58 days in the first half of 2019 compared to 48 days throughout 2018. Turnover of trade and bills receivables averaged 49 days in the first half of 2019, compared with 42 days average turnover throughout 2018. Trade and bills payable turnover averaged 37 days in the first half of 2019 compared to 30 days throughout 2018.

Capital expenditure incurred in the main for the building, equipping and upgrading of production facilities, is carefully managed. For the six months ended 30 June 2019, capital expenditure amounted to US$40 million, of which 9% was incurred in the PRC, compared to US$65 million, of which 12% was incurred in the PRC, for the same period in 2018. Capital commitments at 30 June 2019 were US$53 million compared to US$62 million at 31 December 2018.

Foreign currency exchange contracts are used to manage foreign currency exposure. At 30 June 2019, the notional amount of the outstanding foreign currency exchange contracts in respect of the Renminbi against US$ was US$110 million. 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 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 the Listing Date to 30 June 2019, US$332 million (HK$2,589 million) has been applied: US$161 million (HK$1,256 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 30 June 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 intend to utilise such net proceeds in the manner disclosed in the announcement made by the Company on 13 March 2019.

Contingent Liabilities

At 30 June 2019, the Group had no material contingent liability (31 December 2018: Nil).

Events Occurring after the Reporting Period

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

EMPLOYMENT, TRAINING AND DEVELOPMENT

The Group employed over 80,000 people at 30 June 2019. Total staff costs, including administrative and management staff, in the six months to 30 June 2019 equated to 25.7% of revenue, compared to 25.6% in the same period of 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.

SUSTAINABILITY: VISION AND STRATEGY

As a leading garment manufacturer, the Group leverages holistic sustainability practices to make a positive impact on our planet and people, create shared values for our stakeholders, and shape the industry through the power of garment manufacturing.

Since the start of our sustainability journey in 2007, we have been adhering to the five pillars of our sustainability framework, as a guiding principle for our operation and development. The five pillars comprise: environment, innovation, product integrity, employee care, and community engagement.

As a strategic direction for our factories, we are advancing collaboratively towards the Third Global 5-year Sustainability Targets (2018-2022), covering both environmental and social indicators.

Environmental Stewardship

Under the framework of the Third Global 5-year Sustainability Targets, we endeavor to improve our performance by reducing our carbon footprint and fresh-water consumption. To this end, our factories continued adopting various environmental measures and advanced processes. In addition, we have been furthering our efforts by expanding our global greenery initiative, having planted over 2.5 million trees since 2007.

By affirming our long-term commitment, we are now conducting a Group-wide study, to develop a holistic roadmap for reducing carbon emissions and to enhance water saving.

To assess environmental performance and drive improvement, all our factories have adopted the Higg Facility Environmental Module[(1)] developed by the Sustainable Apparel Coalition. In 2019, we devised our Group target, and developed a set of toolkits with practical materials, to drive this performance improvement.

Employee Care and Community Engagement

We are committed to empowering 40,000 female workers through our CARE(2) programme by 2022, which helps them build on their skills, promotes a work-life balance, strengthens their self-respect, increases their sense of belonging and supports self-actualisation. Over 25% of our female workers from our factories joined the programme in 2019.

In addition to the efforts of our employees, the Group has also spread our care to our local communities. To create shared values and strengthen the linkage with these local communities, our employees have been motivated to participate in community engagement activities addressing local needs. Under the Third Global 5-year Sustainability Targets, we are progressing towards our goal of achieving 10,000 volunteering hours.

(1) The Higg Facility Environmental Module is one of the facility tools of the Higg Index that standardises how facilities measure and evaluate their environmental performance.

(2) CARE stands for Crystal Advocates Respect and Engagement, which is a branded programme of the Group. CARE is a structured learning and development programme that aims to develop our workers through a five-steps approach, from achieving effectiveness to embracing breakthroughs.

OUTLOOK AND PROSPECTS

The reduction of the Group's capacity in the PRC, due to the Reallocation Program, is expected to weigh on the growth of the Group's revenue in the remainder of 2019. At the same time, the Group's revenue and profitability may further be impacted adversely by the coming additional tariffs of the USA government on the remaining PRC exports. The Group will continue to adopt active strategies to manage the situation, including further reduction of its PRC production shipping to the US market and working closely with customers on all possible, practical solutions.

It is the Group's strategy to continuously enhance its product mix, while maintaining its diversity in product categories. The Group will focus strategically on the development of its core categories and reduce its non-core category. In the longer term, the Group continues to believe in the potential of the sportswear market and will gradually pursue its plan for upstream vertical integration. At present, the Group has successfully developed a new customer relationship with one of the international sportswear brands.

2019 will remain a challenging, transitional year for the Group. Nonetheless, with the core competence of the Group's unique diversified product category offerings, a multi-country production platform and its strong focus on corporate sustainability, the Group believes it will continue to benefit from the longer term industry consolidation.

OTHER INFORMATION

Interim Dividend

The Board has resolved to declare an interim dividend of HK4 cents (approximately US0.5 cent) per ordinary share for the six months ended 30 June 2019 payable to shareholders whose names appear on the register of members of the Company on 9 September 2019.

The interim dividend is expected to be paid on 19 September 2019.

Closure of Register of Members

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Thursday, 5 September 2019 to Monday, 9 September 2019 both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Wednesday, 4 September 2019.

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended 30 June 2019, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Public Float

At the date of this interim announcement, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules and as agreed with the Stock Exchange throughout the six months ended 30 June 2019 and up to the date of this interim announcement.

Corporate Governance

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with all code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2019.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as 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 throughout the six months ended 30 June 2019 and up to the date of this interim announcement.

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 throughout the six months ended 30 June 2019 and up to the date of this interim announcement.

Audit Committee

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules and the CG Code. The Audit Committee consists of three independent non-executive directors and Mr. Anthony Nigel Clifton Griffiths, the chairman of the Audit Committee, possesses the appropriate professional qualifications. The primary duties of the Audit Committee are to oversee the financial reporting system and internal control system of the Group, oversee the audit process and review the Group's management of its existing and potential risks and perform other duties and responsibilities as delegated by the Board.

For the six months ended 30 June 2019, the Audit Committee met the independent auditors to discuss their findings during the audit of the consolidated financial statements for the year ended 31 December 2018. Nothing of a significant nature regarding internal controls and risk management was reported. The Audit Committee reviewed the actions taken by management to address the findings and was satisfied with the work done. The Audit Committee also reviewed the work of the Internal Audit in examining the application of policies and internal controls in specific locations within the Group and was satisfied with the quality of the work undertaken. Nothing of a material nature was revealed and the Audit Committee proposed to the Board a small number of actions to strengthen compliance further that were adopted and are being implemented.

The Audit Committee has reviewed, together with the management of the Group, the accounting principles and policies adopted by the Group and discussed with them the unaudited condensed consolidated financial statements and interim results announcement of the Group for the six months ended 30 June 2019, recommending their adoption by the Board.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 have been reviewed by the independent auditors of the Company, Messrs. Deloitte Touche Tohmatsu, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

Risk Management and Internal Control Systems

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems, and management provides a confirmation to the Board on the effectiveness of these systems.

The Board oversight of the Company's risk management and internal control systems is ongoing, and the effectiveness of the Company's risk management and internal control systems is reviewed at least annually then reported to the shareholders in a timely manner.

The Group has a written risk assessment process to identify, evaluate and manage significant risks. The Group uses a risk ranking process involving analysis of the likelihood of occurrence and impact of each identified risk to enable management to prioritise the identified risks and assign risk owners. Based on the risk ranking classification, management will analyse the measures that have been entered in the risk response table based on risk priorities. All high risk items are reduced or managed by mitigating actions while all medium risk items are considered for mitigation, which is subject to a cost-and-benefit analysis. Risk strategies are then implemented by avoiding, transferring, mitigating or accepting the risk identified. The residual risk is evaluated and monitored. Key risks are reviewed by the executive committee on a semi-annual basis.

The Board acknowledges that it is responsible for the risk management and internal control systems and for reviewing their effectiveness and such systems have been designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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. The 2019 interim report of the Company for the six months ended 30 June 2019 will be dispatched to the 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, 21 August 2019

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