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晶苑國際集團有限公司*

CRYSTAL INTERNATIONAL GROUP LIMITED

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

(Stock code: 2232)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2020 amounted to US$921 million (30 June 2019: US$1,143 million).
- Net profit for the six months ended 30 June 2020 amounted to US$28 million (30 June 2019: US$60 million).
- The Board has resolved to declare an interim dividend of HK3 cents (approximately US0.4 cent) per ordinary share (30 June 2019: 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**" or "**Crystal**") for the six months ended 30 June 2020, together with the comparative figures for the six months ended 30 June 2019. The interim results and condensed consolidated financial statements for the six months ended 30 June 2020 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 2020

	Notes	Six months ended 30 June 2020 US$'000 (unaudited)	2019 US$'000 (unaudited)
Revenue	*3*	**921,014**	1,143,473
Cost of sales		**(750,509)**	(930,353)
Gross profit		**170,505**	213,120
Other income, gains or losses		**9,621**	7,170
Impairment losses under expected credit loss model		**(12,961)**	–
Selling and distribution expenses		**(11,202)**	(14,767)
Administrative and other expenses		**(117,631)**	(127,201)
Finance costs		**(6,304)**	(8,988)
Share of results of an associate		**1,090**	919
Profit before tax	*4*	**33,118**	70,253
Income tax expense	*5*	**(5,534)**	(10,185)
Profit for the period		**27,584**	60,068
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(4,157)**	88
Fair value changes on trade receivables at fair value through other comprehensive income		**(139)**	–
Impairment loss for trade receivables at fair value through other comprehensive income under expected credit loss model		**126**	–
		(4,170)	88
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit assets		**(673)**	(311)
Deferred tax credit (expense) arising on defined benefit assets		**50**	(13)
Surplus on revaluation of properties		**3,372**	2,910
Deferred tax expense arising on revaluation of properties		**(761)**	(597)
		1,988	1,989
Other comprehensive (expense) income for the period		**(2,182)**	2,077
Total comprehensive income for the period		**25,402**	62,145
Earnings per share (US cents)	*7*		
– basic		**0.97**	2.11
– diluted		**0.97**	2.11

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	Note	At 30 June 2020 US$'000 (unaudited)	At 31 December 2019 US$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**633,208**	671,120
Right-of-use assets		**58,975**	61,261
Deposits paid for acquisition of property, plant and equipment		**13,723**	11,193
Goodwill		**74,941**	74,941
Intangible assets		**88,317**	90,776
Defined benefit assets		**2,752**	3,238
Interest in an associate		**17,581**	19,081
Loan receivables		**1,417**	2,063
		890,914	933,673
Current assets			
Inventories		**261,538**	275,539
Right-of-use assets		**2,250**	3,763
Trade, bills and other receivables	*8*	**265,685**	326,992
Trade receivables at fair value through other comprehensive income		**36,339**	6,515
Amounts due from related companies		**601**	1,506
Loan receivables		**1,117**	1,023
Tax recoverable		**11**	317
Bank balances and cash		**301,898**	266,840
		869,439	882,495
Total assets		**1,760,353**	1,816,168

	Note	At 30 June 2020 US$'000 (unaudited)	At 31 December 2019 US$'000 (audited)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**3,654**	3,654
Reserves		**1,078,478**	1,084,364
Total equity		**1,082,132**	1,088,018
Non-current liabilities			
Other payables	*9*	**1,500**	1,300
Lease liabilities		**14,290**	16,458
Deferred taxation		**32,767**	32,645
		48,557	50,403
Current liabilities			
Trade, bills and other payables	*9*	**277,840**	356,401
Lease liabilities		**10,472**	13,073
Amount due to an associate		**7,574**	11,862
Dividend payable		**31,288**	–
Tax liabilities		**19,257**	18,970
Bank borrowings		**283,233**	277,441
		629,664	677,747
Total equity and liabilities		**1,760,353**	1,816,168

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 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 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**").

1A. SIGNIFICANT EVENT IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts on the global economy, the business environment and the operations of the Group. The public health measures put in place in many countries to prevent the spread of the coronavirus pandemic have disrupted the Group's production causing the temporary suspension of operations in some of the Group's factories and some suppliers' factories. As a consequence of the lock-down and restrictions on public life in many cities around the world, a number of key apparel retailers have been forced to restructure their operations, including the closure of a significant number of stores for months temporarily or permanently, resulting in delays to the shipment of orders and cancellation of other orders by some of our customers. As such, the performance of the Group was adversely affected in various ways, including reduction of revenue, incurring of redundancy costs and increase in impairment losses under the expected credit loss model as disclosed in the relevant notes. In addition, the deteriorating financial position experienced by customers and the increasing uncertainty of the global economic environment led to an increase in credit risk of customers of the Group and the adoption of a policy to enhance the liquidity position of the Group. During the current interim period, the Group entered into several non-recourse agreements with financial institutions to factor more trade receivables to mitigate the credit risk and improve the liquidity position of the Group. As a result, new trade receivables subject to the factoring arrangement led to the substantial increase in the balance of trade receivables at fair value through other comprehensive income at 30 June 2020.

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 additional accounting policies resulting from the application of 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 2020 are the same as those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs issued by the 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 Group's condensed 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

3. REVENUE AND SEGMENT INFORMATION

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

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

(i) Lifestyle wear

(ii) Denim

(iii) Intimate

(iv) Sportswear and outdoor apparel

(v) Sweater

(vi) Others

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

Segment revenue and results

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

Six months ended 30 June 2020 (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	**347,760**	**217,542**	**160,574**	**142,699**	**50,608**	**1,831**	**921,014**
Segment profit	**70,204**	**35,219**	**27,508**	**29,711**	**7,541**	**322**	**170,505**
Other income, gains or losses							**9,621**
Impairment losses under expected credit loss model							**(12,961)**
Selling and distribution expenses							**(11,202)**
Administrative and other expenses							**(117,631)**
Finance costs							**(6,304)**
Share of results of an associate							**1,090**
Profit before tax							**33,118**

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

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, impairment losses under expected credit loss model, 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.

Segment assets and liabilities

No analysis of segment assets or segment liabilities is presented 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	
	2020	2019
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Asia Pacific *(note a)*	**385,000**	429,521
United States	**333,116**	429,220
Europe *(note b)*	**151,859**	228,729
Other countries/regions	**51,039**	56,003
	921,014	1,143,473

Notes:

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

(b) Europe primarily includes Belgium, France, Germany, the Netherlands and the United Kingdom.

4. PROFIT BEFORE TAX

	Six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**1,510**	1,713
Other staff costs	**218,400**	256,923
Redundancy costs *(notes a and b)*	**6,027**	11,941
Retirement benefit schemes contributions for other staff	**20,038**	22,839
Total staff costs	**245,975**	293,416
Depreciation of property, plant and equipment	**39,323**	38,004
Depreciation of right-of-use assets	**7,051**	6,718
Amortisation of intangible asset (included in selling and distribution expenses)	**2,459**	2,459
Impairment loss recognised in respect of property, plant and equipment *(note b)*	**–**	2,116
Cost of inventories recognised as expenses	**746,856**	925,771
Write-down of inventories	**3,653**	4,582
Loss on disposals of property, plant and equipment	**6,431**	33
Gain on termination of leases	**(26)**	–
Net loss (gain) arising from changes in fair value of derivative financial instruments	**427**	(1,000)
Interest income	**(1,113)**	(1,010)
Net foreign exchange loss	**323**	2,169
Finance costs:		
– interest expense on lease liabilities	**906**	978
– interest on bank borrowings	**5,398**	8,010

Notes:

(a) During the six months ended 30 June 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 COVID-19. Consequently, a redundancy cost of US$6,027,000 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 (the "**Directors**") 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 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, was charged to profit or loss.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	US$'000	*US$'000*
	(unaudited)	(unaudited)
The income tax expense comprises:		
Hong Kong Profits Tax		
– current period	**2,634**	5,493
– (over)underprovision in prior years	**(251)**	101
Overseas taxation		
– current period	**4,575**	4,886
– overprovision in prior years	**(1,114)**	(160)
	5,844	10,320
Deferred taxation	**(310)**	(135)
	5,534	10,185

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 condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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

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.

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	
	2020	2019
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Final, declared, of HK8.5 cents per ordinary share for 2019 (2019: HK8.4 cents per ordinary share for 2018)	**31,288**	30,618

Pursuant to a resolution passed by the Board on 18 August 2020, the Board has resolved to declare an interim dividend of HK3 cents (six months ended 30 June 2019: HK4 cents) per ordinary share, totalling approximately HK$85,585,000 (equivalent to approximately US$11,043,000) (30 June 2019: approximately US$14,522,000) estimated on the number of shares in issue at 30 June 2020. 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 ending 31 December 2020.

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	
	2020	2019
	US$'000	*US$'000*
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	**27,584**	60,068
	'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**	2,848,613
Effect of dilutive potential ordinary shares:		
– Share Award Scheme B	**–**	2,940
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,852,822**	2,851,553

Notes:

(a) In November 2017, the Company issued 13,062,000 ordinary shares to the participants under Share Award Scheme B held by the Trustee until the participants fulfilled the condition of service period specified in Share Award Scheme B. At 30 June 2019, the number of shares held by the Trustee under Share Award Scheme B was 4,208,500. For illustration purposes, the earnings per ordinary share in issue for the six months ended 30 June 2019 were US2.11 cents. All the share awards held by employees under Share Award Scheme B were vested at 31 December 2019.

(b) The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2019 has been arrived at after deducting the number of shares held by the Trustee under Share Award Scheme B.

8. TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2020	At 31 December 2019
	US$'000	*US$'000*
	(unaudited)	(audited)
Trade receivables – contracts with customers	**224,164**	272,567
Less: allowance for expected credit losses	**(12,675)**	–
	211,489	272,567
Bills receivable	**37**	388
Temporary payments	**7,293**	8,974
Other deposits and prepayments	**46,866**	45,063
	265,685	326,992

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

	At 30 June 2020 *US$'000* **(unaudited)**	At 31 December 2019 *US$'000* (audited)
Within 60 days	**178,358**	262,524
61 to 90 days	**24,764**	8,626
91 to 120 days	**8,124**	853
Over 120 days	**243**	564
	211,489	272,567

9. TRADE, BILLS AND OTHER PAYABLES

	At 30 June 2020 *US$'000* **(unaudited)**	At 31 December 2019 *US$'000* (audited)
Trade payables	**138,305**	170,974
Bills payable	**5,300**	4,710
Accrued staff cost	**60,106**	90,546
Other payables	**37,961**	53,647
Other accruals	**37,668**	37,824
Total trade, bills and other payables	**279,340**	357,701

The total is analysed for reporting purposes as:

	At 30 June 2020 *US$'000* **(unaudited)**	At 31 December 2019 *US$'000* (audited)
Current	**277,840**	356,401
Non-current	**1,500**	1,300
	279,340	357,701

At 30 June 2020, the non-current amounts relate to the purchase of property, plant and equipment and are unsecured, interest-free and repayable from 2021 to 2025 (31 December 2019: repayable in 2021).

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

	At 30 June 2020 *US$'000* **(unaudited)**	At 31 December 2019 *US$'000* (audited)
Within 60 days	**101,776**	149,308
61 to 90 days	**22,449**	19,542
91 to 120 days	**12,104**	705
over 120 days	**1,976**	1,419
	138,305	170,974

10. 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.

	At 30 June 2020 *US$'000* **(unaudited)**	At 31 December 2019 *US$'000* (audited)
Property, plant and equipment	**4,751**	10,540
Inventories	**7,023**	5,683
Trade receivables	**9,102**	20,035
	20,876	36,258

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

Since the beginning of 2020, the outbreak of the 2019 Novel Coronavirus ("**COVID-19**") has severely and adversely impacted the world's economic activities. At the start of the year, the COVID-19 outbreak was clearly evident in the People's Republic of China (the "**PRC**") and a few Asian markets, such as Japan and Korea. Subsequently, this caused the respective governments to announce different levels of lockdown across the region. The continuing spread of COVID-19 compelled governments in the European Union (the "**EU**") and the United States (the "**US**") to announce national lockdowns in mid-to-late March, respectively. Inevitably, lockdowns have hampered the supply chain and retail markets in the apparel industry, with market players forced to shut down factories and retailers and malls having to close stores and outlets temporarily.

The global apparel industry is facing challenges from all directions because of the COVID-19 pandemic (the "**Pandemic**"). The Pandemic has led to increased levels of inventories at retailers, as a consequence of the temporary closures of stores. The demand for textile and apparel products has largely come to a halt in the major apparel markets, such as the US and the PRC. In addition, end-consumer demand is also affected by the global macroeconomic collapse, social distancing, and other structural changes in social activities such as work-from-home arrangements, limited in-person contact and more exercise to maintain a healthier lifestyle. The shift in consumer behaviour is likely to accelerate the convergence between fashion and sportswear, which is favourable for the development of athleisure wear.

With respect to international trade, tensions between the PRC and the US governments are continuing to build. At the same time, the European Commission (the "**EC**") has announced its decision to partially withdraw the duty-free preferences granted to Cambodia, on selected garment and footwear products, with effect from August this year. As the EC closes the door on certain duty-free products exported from Cambodia, the European Parliament, on the other hand, has approved a free trade agreement between the EU and Vietnam. Following the approval, Vietnam's National Assembly concluded the ratification of the EU-Vietnam Free Trade Agreement (the "**EVFTA**") in June and it is expected to be effective in August this year. The EVFTA will eliminate almost all customs duties, gradually over ten years, on goods traded between the two parties. Besides offering significant economic opportunities, the agreement also ensures that trade, investment, and sustainable development go hand in hand, by setting high standards of labour, environmental and consumer protection. It is expected that this trade deal will give a boost to Vietnam's economy.

BUSINESS REVIEW

During the six months ended 30 June 2020, the Group's operation was negatively impacted by the COVID-19 epidemic. At the beginning of the year, the outbreak affected our factory operations in the PRC production base, which accounted for 21% of the Group's sales for the six months ended 30 June 2020 (six months ended 30 June 2019: 27%), causing a temporary suspension of our factories' operations after the Chinese New Year break. During the same period, some of our major suppliers' factories in the PRC temporarily suspended their operations and some logistics interruptions were also experienced in the region.

Our extensive operations in Vietnam, which accounted for more than half of the Group's sales, were also affected by the suspension of our suppliers' factories. In our other smaller production bases, such as Cambodia, Bangladesh and Sri Lanka, some factories' operations were suspended for several weeks due to the COVID-19 outbreak.

In addition to the negative impact of COVID-19 on our operations and the supply chain disruptions, the Pandemic impacted negatively on demand for the whole of the apparel industry. Due to national lockdowns and restrictions on public life, in many cities of major apparel markets, such as Japan, Korea, the EU and the US, some of our customers' retail shops were closed either permanently or temporarily for several months. The closure of stores of our branded customers resulted in a sharp decrease in overall order demand for our products. Shipments of our finished orders were delayed upon customers' pack-and-hold requests, and customers started cancelling orders in April and May in view of the prolonged closure of their retail stores. Customers have been negotiating with us to lengthen payment terms on shipped orders. In consideration of the long-term relationship with our customers, transitional arrangements such as extending payment terms temporarily was offered to specific customers as a result of such negotiations. The closure of retail stores of branded customers also led to a deterioration in the financial position of some of our key customers during the period. 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 US (the "**Petition**") to implement a financial restructuring plan on 23 July 2020. Together with the temporarily lengthened payment terms, we have assessed the overall default risks of our outstanding trade receivables resulting in a degree of loss on trade receivables for the first half of 2020.

As a result of the Pandemic's negative impact, the Group's revenue for the first six months ended 30 June 2020 has declined amounting to US$921 million (six months ended 30 June 2019: US$1,143 million). The gross profit margin was similar to the same period last year at 18.5% (six months ended 30 June 2019: 18.6%). Net profit for the six months ended 30 June 2020 was US$28 million (six months ended 30 June 2019: US$60 million), representing a net margin of 3.0% (six months ended 30 June 2019: 5.3%).

In view of the local government policies in handling the outbreak of COVID-19 in different countries and considering the weak customer demand in the short-term, the Group has reviewed its multi-country manufacturing platform and its pace of expansion. Consequently, capital expenditure for the six months ended 30 June 2020 was reduced compared to the same period last year and amounted to US$21 million (six months ended 30 June 2019: US$40 million). This has resulted in the Group having a positive net cash position at 30 June 2020.

The Board recognises the long-term support of shareholders. In view of the strong cash position of the Group at 30 June 2020, the Board is pleased to declare an interim dividend of HK3 cents per ordinary share (six months ended 30 June 2019: HK4 cents). The interim dividend represents a distribution of 40% of the Group's net profit for the six months ended 30 June 2020 (six months ended 30 June 2019: 24%).

FINANCIAL REVIEW

Revenue

The following table gives the Group's revenue for the six months ended 30 June 2020 compared to the same period in 2019, by product category, each expressed as an absolute amount and as a percentage of total revenue.

	For the six months ended 30 June			
	2020		2019	
	US$'000	*%*	*US$'000*	*%*
Lifestyle wear	**347,760**	**37.8%**	484,956	42.4%
Denim	**217,542**	**23.6%**	280,446	24.6%
Intimate	**160,574**	**17.4%**	208,044	18.2%
Sportswear and outdoor apparel	**142,699**	**15.5%**	105,466	9.2%
Sweater	**50,608**	**5.5%**	60,919	5.3%
Others(1)	**1,831**	**0.2%**	3,642	0.3%
Total Revenue	**921,014**	**100.0%**	1,143,473	100.0%

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

Inevitably, the Group's revenue declined compared to last 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 temporarily or permanently, resulting in delays to the shipment and the cancellation of orders. 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 six months ended 30 June			
	2020		2019	
	US$'000	***%***	*US$'000*	*%*
Asia Pacific [(1)]	**385,000**	**41.8%**	429,521	37.6%
United States	**333,116**	**36.2%**	429,220	37.5%
Europe [(2)]	**151,859**	**16.5%**	228,729	20.0%
Others countries/regions	**51,039**	**5.5%**	56,003	4.9%
Total	**921,014**	**100.0%**	1,143,473	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 United Kingdom.

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

	For the six months ended 30 June			
	2020		2019	
	US$'000	***%***	*US$'000*	*%*
Non-PRC	**730,810**	**79.3%**	833,662	72.9%
PRC	**190,204**	**20.7%**	309,811	27.1%
Total	**921,014**	**100.0%**	1,143,473	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			
	2020		2019	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	US$'000	***%***	*US$'000*	*%*
Lifestyle wear	**70,204**	**20.2%**	95,348	19.7%
Denim	**35,219**	**16.2%**	45,679	16.3%
Intimate	**27,508**	**17.1%**	40,929	19.7%
Sportswear and outdoor apparel	**29,711**	**20.8%**	19,037	18.1%
Sweater	**7,541**	**14.9%**	9,081	14.9%
Others	**322**	**17.6%**	3,046	83.6%
Total Gross Profit	**170,505**	**18.5%**	213,120	18.6%

Compared with the first half of 2019, the gross profit margin of Lifestyle wear, Denim and Sweater remained relatively stable in the first half of 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.

Other Expenses and Finance Costs

Selling and distribution expenses have been tightly controlled during the first half of the year and amounted to 1.2% of revenue compared to 1.3% in the first half of 2019.

As a result of the Pandemic, our customers have generally experienced a deterioration in their financial position. One of our customers, Ascena, filed the Petition on 23 July 2020. With the increase in potential default risk by our customers, we recognised an impairment loss on trade receivables of approximately US$13.0 million in the first half of 2020.

Our administrative, other expenses and other income increased to 11.7% of revenue for the first half of 2020 (first half of 2019: 10.5%). 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 causing us one-off costs of US$16.2 million.

The effective borrowing rate for the Group in the six months ended 30 June 2020 ranged from 1.31% to 5.25% compared to 2.30% to 5.13% for the same period in 2019. Finance costs amounted to 0.7% of revenue in the half-year and were comparable to 0.8% in the first half of 2019.

Net Profit

Given the outbreak of COVID-19 globally, net profit for the six months ended 30 June 2020 decreased to US$28 million compared with US$60 million for the same period in 2019. Net profit declined as a percentage of revenue from 5.3% in 2019 to 3.0% in 2020.

Capital Management

The consolidated financial position of the Group remained sound throughout the first half of 2020. The positive operating cash flow of US$64 million in the six months (US$39 million for the same period in 2019) contributed to cash and cash equivalents of US$302 million at 30 June 2020, compared to 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 increased from US$277 million at 31 December 2019 to US$283 million at 30 June 2020. All bank borrowings of US$283 million at 30 June 2020 contained a repayable on demand clause, of which US$184 million is repayable within one year, US$55 million in more than one year but not more than two years, and US$44 million in more than two years but not more than five years.

The Group held a positive net cash position of US$19 million at 30 June 2020. The gearing ratio (total interest-bearing bank borrowings, less bank balances and cash, divided by total equity) at 30 June 2020 was nil (31 December 2019: 1%).

The Pandemic caused shipments of finished orders to be delayed upon customers' pack-and-hold requests and, in addition, customers' payment terms were extended. As a result, our conversion cycle for the six months ended 30 June 2020, averaged 79 days, compared to 60 days for the whole of 2019. Turnover of trade and bills receivables averaged 53 days in the first half of 2020, compared with 42 days average turnover throughout 2019. Inventory turnover averaged 65 days in the first half of 2020 compared to 51 days throughout 2019. Trade and bills payables turnover averaged 39 days in the first half of 2020 compared to 33 days throughout 2019.

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 2020, capital expenditure amounted to US$21 million, compared to US$40 million for the same period in 2019. Capital commitments at 30 June 2020 were US$51 million compared to 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 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 30 June 2020, US$390 million (HK$3,042 million) has been applied:

- US$219 million (HK$1,709 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

At 30 June 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 intend to utilise such net proceeds in the manner disclosed in the announcement made by the Company on 13 March 2019.

Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For the six months ended 30 June 2020, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures.

Pledge of Assets

At 30 June 2020, the pledge of assets of the Group is set out in note 10 to the condensed consolidated financial statements.

Contingent Liabilities

At 30 June 2020, the Group had no material contingent liability (31 December 2019: Nil).

Events Occurring after the Reporting Period

In July 2020, one of the customers of the Group, Ascena Retail Group, Inc. and certain of its subsidiaries, filed voluntary petitions under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia, the US. At the end of the reporting period, the gross carrying amount of the trade receivables with this customer amounted to approximately US$7,417,000 and a loss allowance has been provided in the current interim period. Further details of this customer are set out in the announcement issued by the Company on 27 July 2020.

EMPLOYMENT, TRAINING AND DEVELOPMENT

The Group employed about 68,000 people at 30 June 2020. Total staff costs, including administrative and management staff, in the six months to 30 June 2020 equated to 26.7% of revenue, compared to 25.7% in the same period of 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 on-going 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

Sustainability is a strategic imperative for our businesses, and is the key to building long-term value for our stakeholders. We set up the sustainability framework with the five pillars comprising: environment, innovation, production integrity, employee care and community engagement, to serve as a guiding principle when planning sustainability strategies.

Our sustainability framework and initiatives align with the United Nations Sustainable Development Goals[1] ("**SDGs**") to tackle global challenges. In January 2020, Crystal was selected by the World Benchmarking Alliance as a keystone company of the SDG2000: the most influential 2,000 companies in delivering a more sustainable future.

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

[1] The United Nations Sustainable Development Goals are a collection of 17 global goals set by the United Nations General Assembly in 2015 for the year 2030. These goals provide a blueprint to achieve a more sustainable future and address global sustainability challenges.

Environmental Stewardship

Under the framework of the Third Global 5-year Sustainability Targets, we are committed to mitigating climate change, conserving water resources and planting trees globally. Since the start of our sustainability journey in 2007, over 2.8 million trees have been planted by our employees in the countries where we have a presence.

Climate change embodies both opportunities and challenges. In the face of this global issue, we apply low carbon manufacturing to our operations, and progressively scale up the adoption of renewable energy. Since 2007, we have reduced our product carbon footprint, per garment produced, by 44%. To step up our efforts, we will escalate our commitment by signing the Fashion Industry Charter for Climate Action[2] and implement the long-term roadmap to 2030 for carbon reduction.

In addition, we aim to build a circular economy model to redefine the way we design and manufacture our products, to make the best use of resources and to better manage wastage. Our factories have launched various projects that embody our determination, such as the development of closed-loop apparel products and fabric waste recycling.

Employee Care and Community Engagement

We endeavour to empower our female workers through our CARE Programme, which aims to develop our workers from achieving effectiveness, to embracing breakthroughs. More than 13,000 workers have benefited from the programme so far, and we are committed to empowering 40,000 female workers throughout this programme.

We have long been striving to create better working conditions for our workers. To this end, we collaborated with Better Work[3] and became the first global manufacturer partner. The pioneering partnership is dedicated to work, on a long-term basis, to improving working conditions in our factories in Vietnam, Cambodia and Bangladesh and to boost business competitiveness in our supply chains.

2 The Fashion Industry Charter for Climate Action is an industry-wide initiative, driven by the United Nations, to collectively address the climate impact of the fashion sector across its value chain.

3 Better Work is a collaboration between the United Nation's International Labour Organization (ILO) and the International Finance Corporation (IFC), which brings together all levels of the garment industry to improve working conditions and to respect labour rights.

In addition to the efforts of our employees, we have spread care to our local communities. Since the start of the Third Global 5-year Sustainability Targets in 2018, our employees have volunteered over 17,000 hours in the countries where we operate, which well exceeded the targets set. Since the outbreak of the Pandemic, the Group has distributed more than 2 million masks to support our employees, their families and wider communities. We endorsed the "Global Garment Industry Call to Action", and collaborated with industry peers to steer action from across the global garment industry to support manufacturers to survive the economic disruption caused by the Pandemic and to protect garment workers' income, health and employment.

OUTLOOK AND PROSPECTS

At the time of preparing this announcement, the Pandemic is still dynamic. The situation and impact of the epidemic vary across different countries. While some regions, such as the Asian and European markets, have started to see signs of improvement with stores gradually reopening and the spread of the Pandemic relatively controlled, some other regions, such as the US, are still approaching the peak of the epidemic. With our relatively balanced and diversified portfolio in terms of geographical presence, the negative impact on the Group's sales is, relatively, under control although, inevitably, this year is expected to be a tough one for the Group's operations.

In light of the recent trade policy updates, together with the different levels of negative impact from COVID-19 in various countries among our production bases, the Group will continue to review the pace of our expansion. Accordingly, capital expenditure for the full year is expected to be below the level of last year.

While maintaining diversity in product offerings, the Group continues to believe in the market potential of sportswear products, especially in the development of athleisure wear. The athleisure trend has been highlighted by COVID-19, supported by the end-consumer demand for products related to adopting a healthier lifestyle and demonstrated by the outperformance of sales figures, as disclosed by some renowned international sportswear brands in the recent months.

In addition to adding one of the world's renowned international sportswear brands as a new customer last year, the Group is pleased to announce our entrance into another renowned international sportswear brands' supply chain during the first half of 2020. With the current customer portfolio in our Sportswear and outdoor apparel segment, we believe the segment should be well-positioned to fuel the longer-term growth of the Group's business. The Group will continue to deploy capital investment to support the growth of our key customers and will continue to pursue vertical integration in the long term.

OTHER INFORMATION

Interim Dividend

The Board has resolved to declare an interim dividend of HK3 cents (approximately US0.4 cent) per ordinary share for the six months ended 30 June 2020 payable to shareholders whose names appear on the register of members of the Company on 8 September 2020.

The interim dividend is expected to be paid on 17 September 2020.

Closure of Register of Members

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Friday, 4 September 2020 to Tuesday, 8 September 2020 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 Thursday, 3 September 2020.

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

During the six months ended 30 June 2020, 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 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 2020 and up to the date of this announcement.

Corporate Governance Practices

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 contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2020.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**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 2020 and up to the date of this 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 2020 and up to the date of this announcement.

Audit Committee

There was no change in the composition of the Audit Committee during the period. The primary duties of the Audit Committee continue to be to review the adequacy of the financial reporting and internal control systems of the Group, oversee the external and internal audit processes, review the Group's management of its existing and potential risks, review connected party transactions and perform other duties and responsibilities as delegated by the Board.

For the six months ended 30 June 2020, the Audit Committee met the external auditors to discuss their findings during the audit of the consolidated financial statements for the year ended 31 December 2019. 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 reviewed further one minor matter regarding an inventory provision to a conclusion it considered satisfactory. In respect of the work of the Internal Audit in examining the application of policies and internal controls in specific locations within the Group, the Audit Committee was again satisfied with the high quality of the work undertaken. Nothing of a material nature was revealed and appropriate remedial measures to strengthen compliance further are being implemented.

The Audit Committee reviewed the quality of the work of the external auditors together with their independence and was satisfied with both. It recommended to the Board the reappointment of Messrs. Deloitte Touche Tohmatsu as the Company's auditors for the ensuing year.

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 report of the Group for the six months ended 30 June 2020, recommending their adoption by the Board.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 have been reviewed by the independent auditors of the Company, Messrs. Deloitte Touche Tohmatsu.

Risk Management and Internal Control Systems

The Board is responsible for ensuring the Group establishes and maintains appropriate and effective risk management and internal control systems. The Board is satisfied with the effectiveness of the risk management and internal control systems in place.

The Board oversight of the Company's risk management and internal control systems, both directly and via the Audit Committee, is on-going. In this regard, the Audit Committee reviewed the progress of the Company's cyber security initiatives, their roll out within the Group and statistics of cyber attacks, their nature and location. The Audit Committee was satisfied with the defences in place and remedial actions taken. The Audit Committee has encouraged the testing of the cyber defences in place by a competent third party and a programme of tests is being implemented.

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 analyses the measures that have been taken based on risk priorities. All high risk items are reduced or managed by mitigating actions while all medium risk items are considered for mitigation that involves 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 presence and effectiveness of the risk management and internal control systems. Such systems have been designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable not absolute assurance against material misstatement or loss.

The Audit Committee reviews risks pertaining to the Company as a standing item at each of its meetings inviting input from the Chief Financial Officer. It uses the reviews in determining the priorities of the Internal Audit proposed programmes of work.

Connected Party Transactions

The Audit Committee reviews annually the proposed connected party transactions, the caps on their annual value, the reasons for them, the bases of pricing and that not only are they in the Company's best interests but also that a commercial, arm's length approach to pricing has been adopted. During the half year, the Audit Committee reviewed expenditure and income against the relevant annual caps and was satisfied that no cap would be exceeded and, in cases where amounts recorded were significantly below the proportionate amount of the relevant cap, there was a reasonable explanation for the situation.

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 2020 interim report of the Company for the six months ended 30 June 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 August 2020

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