晶苑國際集團有限公司*
CRYSTAL INTERNATIONAL GROUP LIMITED

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

(Stock code: 2232)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2021 amounted to US$2,341 million (2020: US$1,985 million).
- Net profit for the year ended 31 December 2021 amounted to US$163 million (2020: US$108 million).
- Proposed to declare a final dividend of HK9.8 cents (approximately US1.3 cents) per ordinary share. Together with the interim dividend paid, total dividend per ordinary share for the year ended 31 December 2021 would amount to HK13.8 cents (2020: HK13.8 cents).

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Crystal International Group Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (together, the "**Group**" or "**Crystal**") for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	**2021** **US$'000**	2020 US$'000
Revenue	*3*	**2,341,432**	1,985,332
Cost of sales		**(1,893,822)**	(1,599,466)
Gross profit		**447,610**	385,866
Other income, gains or losses		**15,702**	12,195
Impairment losses under expected credit loss model, net of reversal		**(669)**	(12,745)
Selling and distribution expenses		**(24,047)**	(18,272)
Administrative expenses		**(208,804)**	(208,796)
Research and development expenses		**(31,057)**	(27,389)
Finance costs		**(7,416)**	(9,968)
Share of results of an associate		**530**	2,226
Profit before tax	*4*	**191,849**	123,117
Income tax expense	*5*	**(28,558)**	(15,032)
Profit for the year		**163,291**	108,085
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**14,198**	19,066
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit assets		**(217)**	(3,117)
Deferred tax credit arising on defined benefit assets		**163**	399
Surplus (deficit) on revaluation of properties		**2,084**	(7,115)
Deferred tax (expense) credit arising on revaluation of properties		**(509)**	1,366
		1,521	(8,467)
Other comprehensive income for the year		**15,719**	10,599
Total comprehensive income for the year		**179,010**	118,684

	NOTE	2021 US$'000	2020 US$'000
Profit for the year attributable to:			
Owners of the Company		**163,106**	108,085
Non-controlling interests		**185**	–
		163,291	108,085
Total comprehensive income for the year attributable to:			
Owners of the Company		**178,825**	118,684
Non-controlling interests		**185**	–
		179,010	118,684
Basic earnings per share for profit attributable to the owners of the Company *(US cents)*	*6*	**5.72**	3.79

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	NOTES	**2021** **US$'000**	2020 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**623,811**	618,050
Right-of-use assets		**86,775**	57,056
Deposits paid for acquisition of property, plant and equipment		**12,339**	9,280
Goodwill		**74,941**	74,941
Intangible assets		**80,942**	85,859
Defined benefit assets		**–**	945
Interest in an associate		**16,338**	17,158
Loan receivables		**520**	1,252
		895,666	864,541
Current assets			
Inventories		**308,344**	235,609
Right-of-use assets		**1,600**	4,094
Trade, bills and other receivables	*8*	**251,305**	224,409
Trade receivables at fair value through other comprehensive income	*9*	**99,495**	64,987
Amounts due from related companies		**217**	684
Loan receivables		**756**	874
Tax recoverable		**842**	3,887
Bank balances and cash		**401,270**	383,427
		1,063,829	917,971
Total assets		**1,959,495**	1,782,512

	NOTE	2021 US$'000	2020 US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**3,654**	3,654
Reserves		**1,285,202**	1,160,727
Equity attributable to owners of the Company		**1,288,856**	1,164,381
Non-controlling interests		**4,463**	–
Total equity		**1,293,319**	1,164,381
Non-current liabilities			
Other payables	*10*	**825**	1,299
Lease liabilities		**19,461**	11,902
Deferred taxation		**34,714**	30,376
		55,000	43,577
Current liabilities			
Trade, bills and other payables	*10*	**396,967**	357,632
Lease liabilities		**11,367**	12,183
Amount due to an associate		**12,719**	9,578
Tax liabilities		**22,526**	16,753
Bank borrowings		**167,597**	178,408
		611,176	574,554
Total equity and liabilities		**1,959,495**	1,782,512

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

The Company was previously incorporated in Bermuda as an exempted company with limited liability and registered by way of continuation in the Cayman Islands as an exempted company with limited liability. The Company is directly held by its controlling shareholders, Mr. LO Lok Fung Kenneth and Mrs. LO CHOY Yuk Ching Yvonne, both executive directors of the Company. The address of the registered office of the Company is Ugland House, P.O. Box 309, Grand Cayman KY1-1104, Cayman Islands and the principal place of business of the Company is 5-7/F., AXA Tower, Landmark East, No. 100 How Ming Street, Kowloon, Hong Kong.

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**"), for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to IFRS 16	COVID-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform-Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying IFRS 7 "Financial Instruments: Disclosures" ("**IFRS 7**").

The amendments mainly affect the Group's bank borrowings, the interest rates on which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the amendments, where appropriate, to the changes in contractual cash flows resulting from the interest rate benchmark reform for financial assets and liabilities and lease liabilities measured at amortised cost.

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

(b) Segment information

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

(i) Lifestyle wear

(ii) Denim

(iii) Intimate

(iv) Sportswear and outdoor apparel

(v) Sweater

(vi) Others

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

Segment revenue and results

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

Year ended 31 December 2021

	Lifestyle wear	**Denim**	**Intimate**	**Sportswear and outdoor apparel**	**Sweater**	**Others**	**Total**
	US$'000	***US$'000***	***US$'000***	***US$'000***	***US$'000***	***US$'000***	***US$'000***
SEGMENT REVENUE							
External sales	**734,963**	**570,962**	**427,915**	**426,550**	**181,042**	**–**	**2,341,432**
Segment profit	**146,743**	**104,413**	**83,895**	**76,593**	**35,966**	**–**	**447,610**
Other income, gains or losses							**15,702**
Impairment losses under expected credit loss model, net of reversal							**(669)**
Selling and distribution expenses							**(24,047)**
Administrative expenses							**(208,804)**
Research and development expenses							**(31,057)**
Finance costs							**(7,416)**
Share of results of an associate							**530**
Profit before tax							**191,849**

Year ended 31 December 2020

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

Segment profit represents the profit earned by each segment without allocation of other income, gains or losses, impairment losses under the expected credit loss model, selling and distribution expenses, administrative expenses, research and development expenses, finance costs and share of results of an associate. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

Certain amounts of depreciation of property, plant and equipment and right-of-use assets are included in the measure of segment results in each segment. No further analysis is presented for certain items included or excluded in the measure of segment results as such information is not regularly provided to the CODM.

Segment assets and liabilities

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

Revenue from major customers

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

	Segment	2021	2020
		US$'000	*US$'000*
Customer A	Lifestyle wear, Denim, Intimate, Sportswear and outdoor apparel and Sweater	**787,652**	760,129

Geographical information

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

	2021	2020
	US$'000	*US$'000*
Asia Pacific *(note a)*	**949,656**	865,968
United States	**908,180**	692,556
Europe *(note b)*	**386,834**	328,555
Other countries/regions	**96,762**	98,253
	2,341,432	1,985,332

Notes:

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

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

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

	2021	2020
	US$'000	*US$'000*
Asia Pacific *(note a)*	**878,731**	846,031
Europe *(note b)*	**290**	188
	879,021	846,219

Notes:

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

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

4. PROFIT BEFORE TAX

	2021	2020
	US$'000	*US$'000*
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**6,862**	3,851
Other staff costs	**521,648**	435,882
Redundancy costs *(note a)*	**–**	13,534
Retirement benefit schemes contributions for other staff	**51,995**	42,206
Total staff costs *(note d)*	**580,505**	495,473
Auditors' remuneration:		
– audit services	**1,097**	1,076
– non-audit services	**486**	408
Cost of inventories recognised as expenses *(note d)*	**1,883,590**	1,589,129
Write-down of inventories	**10,232**	10,337
Depreciation of property, plant and equipment *(note d)*	**72,865**	77,809
Depreciation of right-of-use assets *(note d)*	**15,164**	14,267
Amortisation of intangible asset (included in selling and distribution expenses)	**4,917**	4,917
Impairment loss recognised in respect of property, plant and equipment *(note b)*	**–**	10,743
Impairment loss recognised in respect of goodwill (note e)	**813**	–
Net (gain) loss arising from changes in fair value of derivative financial instruments	**(619)**	427
Government grants *(note c)*	**(2,504)**	(10,100)

Notes:

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

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

(c) During the year ended 31 December 2021, the Group recognised government grants of US$2,504,000 (2020: US$7,664,000) from government authorities in different countries to support the operations of subsidiaries of the Company. The remaining amount of US$2,436,000 recognised during the year ended 31 December 2020 comprised government grants related to the Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region.

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

(e) During the year ended 31 December 2021, the Group recognised an impairment loss of US$813,000 in respect of goodwill arising from the acquisition of Pine Wood Industrial Limited.

5. INCOME TAX EXPENSE

	2021	2020
	US$'000	*US$'000*
The income tax expense comprises:		
Hong Kong Profits Tax		
– current year	**11,487**	6,506
– overprovision in prior years	**(17)**	(260)
Overseas taxation		
– current year	**20,780**	12,029
– overprovision in prior years	**(3,451)**	(1,796)
	28,799	16,479
Deferred taxation	**(241)**	(1,447)
	28,558	15,032

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

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

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

During the year ended 31 December 2020, certain subsidiaries incorporated in Macau were registered and regulated by the Decree Law No. 58/99/M applicable to Macao offshore commercial activities and were exempted from Macao Complementary Tax.

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

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

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

6. EARNINGS PER SHARE

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

	2021	2020
	US$'000	*US$'000*
Earnings:		
Profit for the year attributable to the owners of the Company for the purpose of calculating basic earnings per share	**163,106**	108,085
	'000	*'000*
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings per share	**2,852,822**	2,852,822

No diluted earnings per share was presented for the years ended 31 December 2021 and 2020 as there were no potential dilutive ordinary shares in issue during both years.

7. DIVIDENDS

	2021	2020
	US$'000	*US$'000*
Final, paid – HK5.8 cents per ordinary share for 2020 (2020: HK8.5 cents per ordinary share for 2019)	**21,317**	31,288
Interim, paid – HK4 cents per ordinary share for 2021 (2020: HK3 cents per ordinary share for 2020)	**14,656**	11,033
Special, paid – HK5.0 cents per ordinary share for 2020 (2020: nil for 2019)	**18,377**	–
	54,350	42,321

A final dividend of HK9.8 cents (2020: HK5.8 cents) per ordinary share in total of approximately HK$279,577,000 (equivalent to approximately US$35,852,000) (2020: HK$165,464,000 (equivalent to approximately US$21,317,000)), in respect of the year ended 31 December 2021 has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

8. TRADE, BILLS AND OTHER RECEIVABLES

	2021	2020
	US$'000	*US$'000*
Trade receivables – contracts with customers	**206,726**	183,873
Less: allowance for expected credit losses	**(9,830)**	(9,218)
	196,896	174,655
Bills receivable	**15**	1,445
Temporary payments to suppliers	**11,032**	8,010
Other receivables, deposits and prepayments	**43,362**	40,299
	251,305	224,409

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

	2021	2020
	US$'000	*US$'000*
Within 60 days	**179,886**	160,322
61 to 90 days	**14,501**	13,245
91 to 120 days	**2,278**	1,037
Over 120 days	**231**	51
	196,896	174,655

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

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

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

	2021	2020
	US$'000	*US$'000*
Within 60 days	**77,223**	56,167
61 to 90 days	**14,962**	8,123
91 to 120 days	**6,291**	504
Over 120 days	**1,019**	193
	99,495	64,987

10. TRADE, BILLS AND OTHER PAYABLES

	2021	2020
	US$'000	*US$'000*
Trade payables	**187,257**	172,881
Bills payable	**13,410**	16,224
Accrued staff cost	**92,303**	79,467
Other payables	**50,597**	51,367
Other accruals	**54,225**	38,992
Total trade, bills and other payables	**397,792**	358,931

The total is analysed for reporting purposes as:

	2021	2020
	US$'000	*US$'000*
Current	**396,967**	357,632
Non-current	**825**	1,299
	397,792	358,931

At 31 December 2021, the non-current amounts are related to the purchase of property, plant and equipment and are unsecured, interest-free and repayable from 2023 to 2025 (2020: repayable from 2022 to 2025).

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

	2021	2020
	US$'000	*US$'000*
Within 60 days	**168,333**	142,948
61 to 90 days	**14,372**	25,176
91 to 120 days	**2,705**	2,469
Over 120 days	**1,847**	2,288
	187,257	172,881

11. PLEDGE OF ASSETS

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

	2021	2020
	US$'000	*US$'000*
Property, plant and equipment	**2,499**	4,739
Inventories	**5,009**	8,910
Trade receivables	**–**	576
	7,508	14,225

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

Consumer demand has been strong throughout the year. Suppressed consumption desires among end consumers surged forth on the reopening of retail markets after the massive lockdowns of 2020. Different levels of travel restrictions throughout the world led consumers to concentrate their buying power into local consumption. Despite the prevalence of the pandemic throughout 2021, the governments of countries with large retail markets, especially in the United States ("**US**") and Europe, relied principally on mass vaccination programmes, adopting an increasingly co-existent approach to dealing with the virus, enabling them to maintain and open up much economic activity, compared to 2020.

These phenomena boosted the confidence of global apparel brands in placing orders for apparel products. The rising consumer awareness of health has led to increasing demands for working out. At the same time, outdoor activities away from public crowds became more popular. These factors and the resumption of major international sports events indicate the effects of the pandemic are changing consumer preference towards sportswear and athleisure products. These trends should provide strong support for the further growth in sportswear apparel demand.

The strong demand from brand customers has been somewhat thwarted by, the continuing, negative impact of the pandemic on the global supply chain. The COVID-19 virus mutated into different variants during 2021, the most infectious being the Delta variant. When that variant hit the apparel manufacturing hub in the Southeast Asia region, initially in the second quarter in Cambodia and then in the third quarter in Vietnam, the respective local governments announced various levels of lockdown in the infected regions combining a zero-tolerance policy with a concurrent promotion of mass vaccination programmes. After a few weeks of lockdown in the region, the market gradually reopened as wider coverage of vaccination was achieved without the lockdowns being further extended. The local governments gradually shifted to adopting a co-existent approach as their countries' vaccination rates climbed. With the resumption of activities, the labour supply and recruitment situation in Cambodia improved rapidly as workers felt more protected and safer at work, after being vaccinated.

On the other hand, international shipment capacity continued to be tight throughout 2021. Port restrictions due to the pandemic reduced the ability of shipping companies to swap crews over, further limiting their ability to relocate international shipping containers to where they were most needed. All signs pointed towards a continuing surge in shipment costs and air freight charges. The strained shipment situation caused global brands to place their orders early to satisfy the upcoming seasons' demand. While international shipment capacity remained tight, the prevalent pandemic situation at various production bases resulted in supply chain constraints that further boosted the order sentiment among retail apparel brands. Consequently, solid order visibility was experienced by major apparel manufacturers.

BUSINESS REVIEW

The rebound in end-consumer demand led to strong orders from our brand customers throughout the year. Amongst all product categories, revenue growth in Sportswear and outdoor apparel was the most significant, fuelled by both the two newly added international sportswear customers and the continuing strong demand from existing customers. All sportswear customers have appreciated the capability of Crystal and view us as their long-term strategic partner, which is demonstrated by their continuing strong demand for our products. However, some of our production facilities were impacted by the prevailing pandemic situation causing interruptions at some of our factories located in Cambodia and Vietnam during the second and third quarters in 2021. The temporary unavailability of such capacity partially slowed the fast growth in our revenue for the year.

Nonetheless, the Group's revenue for the year ended 31 December 2021 increased significantly compared to the previous year, amounting to US$2,341 million (2020: US$1,985 million). The gross profit margin was similar to the same period last year at 19.1% (2020: 19.4%) but, pleasingly, net profit for the year ended 31 December 2021 was US$163 million (2020: US$108 million), representing a net margin of 7.0% (2020: 5.4%).

The principal reasons for the significant increase of 51% in the net profit for the Group were:

- An impairment loss on trade receivables of approximately US$11.9 million was recognised in 2020 and no significant impairment loss occurred in 2021;

- The suspension of factory operations in 2020 that incurred a one-off cost of US$16.2 million did not reoccur in 2021; and

- The one-off cost of US$13.2 million in relation to the restructuring of subsidiaries of the Company in the United Kingdom, Sri Lanka, Bangladesh and Cambodia that was recorded in 2020 was not repeated in 2021.

In 2021, the Group completed some acquisitions. In June, Masterknit Limited ("**Masterknit**") was acquired with a shareholding of approximately 71.9% at a consideration of HK$83.8 million (equivalent to approximately US$10.8 million). Masterknit is principally engaged in the development and production of flat knitted shoe upper products. The acquisition provides strong support to the Group's performance sweater business with the additional benefit that the knitting machines acquired and their skilled operators provide technical support plus know-how in support of the Group's product innovation. This enables the Group to offer a more comprehensive product portfolio and wider range of services to our customer base, in particular sportswear customers.

The other acquisition of 100% of the holding company of a fabric mill in Vietnam, at a consideration of US$30.8 million, was completed in September. The fabric mill is located in Vietnam and conducts the business of textile weaving, dyeing and finishing. The investment represents a significant milestone in the Group's stated strategy of pursuing vertical integration for the longer-term development of the Group. This addition supplements the Group's existing 25% interest in a fabric mill joint venture with Pacific Textiles Holdings Limited that has been held since 2010. The investments in the two fabric mills will allow the Group to begin its own fabric mill operations, with a view to continuing to expand its upstream capacities through further organic growth and acquisition opportunities that should deliver further cost and operational efficiencies for the Group and its customers.

Capital expenditure for the year ended 31 December 2021 amounted to US$90 million, mainly to support our expansion projects in Vietnam and some expansion phases next to our existing facilities in Cambodia. Including the acquisitions mentioned, total capital investment for the year ended 31 December 2021 was US$132 million (2020: US$54 million).

The Group realises that the business and operating environments in which it exists are changing all the time, so one of its key strategies is to harness the appropriate techniques and methodologies that will assist it to perform increasingly effectively in these ever-changing environments. During 2021, significant effort was applied to reviewing, planning and starting the implementation of the major upgrading of the Group's administrative, financial and operational methods, systems and policies. This overall programme is designed to assist the Group to transition from where it is presently to become faster, more agile, more accurate and more efficient on a reliably continuous basis. At the same time, the Group has started a smart warehouse project at one of its factories in Vietnam, which is expected to launch in 2022. All these efforts shall take the Group closer to achieving its goal of being Industry 4.0 compliant.

The Board recognises the long-term support of shareholders and has resolved to propose a final dividend of HK9.8 cents per ordinary share. Taken together with the interim dividend of HK4 cents per ordinary share, total dividend per ordinary share for the year ended 31 December 2021 will amount to HK13.8 cents (2020: HK13.8 cents), representing a distribution of 31% of the Group's net profit for the year.

FINANCIAL REVIEW

Revenue

The Group's revenue for 2021 compared to 2020, by product category, each expressed as an absolute amount and as a percentage of total revenue was:

	For the Year ended 31 December			
	2021		2020	
	US$'000	*%*	*US$'000*	*%*
Lifestyle wear	**734,963**	**31.4%**	702,921	35.4%
Denim	**570,962**	**24.4%**	470,068	23.7%
Intimate	**427,915**	**18.3%**	326,023	16.4%
Sportswear and outdoor apparel	**426,550**	**18.2%**	304,932	15.3%
Sweater	**181,042**	**7.7%**	177,916	9.0%
Others *(note)*	**–**	**0.0%**	3,472	0.2%
Total Revenue	**2,341,432**	**100.0%**	1,985,332	100.0%

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

Our order demand has continued to recover since the fourth quarter in 2020, increasing the Group's revenue by 17.9% compared to 2020. With the continued strong demand from two internationally renowned sportswear brand customers, revenue increased significantly in Sportswear and outdoor apparel.

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

	For the Year ended 31 December			
	2021		2020	
	US$'000	*%*	*US$'000*	*%*
Asia Pacific *(note a)*	**949,656**	**40.6%**	865,968	43.6%
United States	**908,180**	**38.8%**	692,556	34.9%
Europe *(note b)*	**386,834**	**16.5%**	328,555	16.6%
Other countries/regions	**96,762**	**4.1%**	98,253	4.9%
Total Revenue	**2,341,432**	**100.0%**	1,985,332	100.0%

Notes:

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

(b) Europe mainly includes Germany, the Netherlands and the U.K..

Gross Profit and Gross Profit Margin

	For the Year ended 31 December			
	2021		2020	
	Gross Profit ***US$'000***	**Gross Profit** ***Margin %***	Gross Profit *US$'000*	Gross Profit *Margin %*
Lifestyle wear	**146,743**	**20.0%**	146,318	20.8%
Denim	**104,413**	**18.3%**	81,865	17.4%
Intimate	**83,895**	**19.6%**	64,209	19.7%
Sportswear and outdoor apparel	**76,593**	**18.0%**	60,541	19.9%
Sweater	**35,966**	**19.9%**	31,391	17.6%
Others	**–**	**0.0%**	1,542	44.4%
Total Gross Profit	**447,610**	**19.1%**	385,866	19.4%

Compared with 2020, the gross profit margin of Lifestyle wear and Intimate remained relatively stable in 2021. The increase in gross profit margin for Denim is mainly due to efficiency improvements in production units outside the PRC. For Sportswear and outdoor apparel, we currently focus on order inflows, resulting in a decrease in gross profit margin. For Sweater, the increase in gross profit margin resulted from our revision of our production capacity.

Other Expenses and Finance Costs

The COVID-19 pandemic was still prevalent in our countries of production interrupting our production operations. In endeavoring to meet shipment delivery requirements, we had to make greater use of airfreight, with increased costs leading to a slight increase in selling and distribution expenses.

An impairment loss on trade receivables of approximately US$11.9 million was recognised in 2020. No significant impairment loss on trade receivables was recognised in 2021.

Our administrative, research and development expenses and other income decreased to 9.6% of revenue in 2021 compared with 11.3% in 2020. A one-off cost of US$16.2 million in relation to suspension of factory operations was recorded in 2020, but no such cost was recorded in 2021.

The Group operates a funded defined benefit scheme for qualifying employees of its subsidiaries in the U.K. that has been closed to new members since 1999. The trustees of the defined benefit scheme entered an agreement with an insurance company towards the end of the year to assume full responsibility for the scheme. The agreement comprises principally two parts: the buy-in and the buy-out. In December 2021, a buy-in transaction was completed whereby the assets of the plan were invested in a bulk purchase annuity policy with an insurance company under which the benefit payable to defined benefit members became fully insured. The insurance policy was purchased using the existing assets of the plan and further contribution from the Group. The legally binding agreement is for the plan to move to a full buy-out as soon as practical, following which the insurance company will become directly responsible for pension payments. Various details need to be fully checked and confirmed before buy-out can occur. That is expected to take place during the coming year. Following buy-out and the subsequent winding up of the scheme, the Group will cease to have any responsibility to fund the scheme.

The Group has been restructuring its UK operations and has made steady progress towards its objective of disposing of them. The disposal is anticipated to occur no later than in 2023 and could occur earlier.

The effective borrowing rate for the Group in 2021 ranged from 1.21% to 5.00% compared with 1.25% to 5.00% in 2020. The Group had no fixed-rate borrowings at 31 December 2021. Finance costs amounted to 0.3% of revenue in 2021 compared to 0.5% in 2020.

Net Profit

Despite the impacts of the COVID-19 pandemic, the Group achieved a net profit of US$163 million for the year ended 31 December 2021. Net profit as a percentage of revenue increased from 5.4% in 2020 to 7.0% in 2021.

Capital Management

The consolidated financial position of the Group remained sound throughout the year. The positive operating cash flow of US$190 million (2020: US$324 million) contributed to cash and cash equivalents of US$401 million at 31 December 2021, compared with US$383 million at 31 December 2020. Cash and cash equivalents were mainly denominated in HK$ and US$. Bank borrowings, mainly denominated in HK$ and US$, decreased slightly from US$178 million at 31 December 2020 to US$168 million at 31 December 2021. All bank borrowings of US$168 million at 31 December 2021 contained a repayable on demand clause and US$168 million was repayable within one year.

The Group held a positive net cash position of US$234 million at 31 December 2021. The gearing ratio (total interest-bearing bank borrowings, less bank balances and cash, divided by total equity) at 31 December 2021 was nil (31 December 2020: nil).

The Group entered into several non-recourse agreements with financial institutions to factor more trade receivables to mitigate credit risk and improve the liquidity position of the Group. As a result, our conversion cycle averaged 56 days, compared to 64 days for the whole of 2020. Turnover of trade and bills receivables averaged 42 days in 2021, compared with 48 days average turnover throughout 2020. Inventory turnover averaged 52 days in 2021, compared with 58 days in 2020. Trade and bills payable turnover averaged 38 days in 2021 compared to 42 days in 2020.

Capital expenditure, incurred, in the main, for the building, equipping and the upgrading of production facilities, continues to be carefully managed. In 2021, capital expenditure amounted to US$90 million, compared with US$54 million in 2020. Capital commitments at 31 December 2021 were US$55 million compared to US$27 million at 31 December 2020.

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

Funding and Treasury Policy

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the year. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its current business operations as well as its future investments and expansion plans.

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 3 November 2017 (the listing date of the Company) to 31 December 2021, US$461 million (HK$3,592 million) of the net proceeds has been applied:

– US$259 million (HK$2,019 million) to expand manufacturing capacity

– US$31 million (HK$240 million) to pursue upstream vertical integration

– US$122 million (HK$952 million) to repay the Vista related loans

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

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

Use	Segment	Revised Allocation of Net Proceeds as set out in the Announcement dated 13 March 2019 *(US$'million)*	Unutilised Net Proceeds at 31 December 2020 *(US$'million)*	Utilised Net Proceeds in 2021 *(US$'million)*	Unutilised Net Proceeds at 31 December 2021 *(US$'million)*	Expected Timeline for Applying Unutilised Net Proceeds at 31 December 2021
Additional manufacturing facilities in Vietnam	Lifestyle wear, Sweater and Sportswear and outdoor apparel	88	19	19	0	
Additional manufacturing facilities in Vietnam	Denim and Intimate	112	5	5	0	
Additional manufacturing facilities in Bangladesh	Lifestyle wear and Sportswear and outdoor apparel	59	0	0	0	
Upstream vertical integration in Asia		58	58	31	27	By 31 December 2023
Repayment of Vista related loans		122	0	0	0	
Working capital and general corporate purposes		49	0	0	0	
Total		488	82	55	27	

Use	Segment	Revised Allocation of Net Proceeds as set out in the Announcement dated 13 March 2019 *(HK$'million)*	Unutilised Net Proceeds at 31 December 2020 *(HK$'million)*	Utilised Net Proceeds in 2021 *(HK$'million)*	Unutilised Net Proceeds at 31 December 2021 *(HK$'million)*	Expected Timeline for Applying Unutilised Net Proceeds at 31 December 2021
Additional manufacturing facilities in Vietnam	Lifestyle wear, Sweater and Sportswear and outdoor apparel	686	150	150	0	
Additional manufacturing facilities in Vietnam	Denim and Intimate	876	32	32	0	
Additional manufacturing facilities in Bangladesh	Lifestyle wear and Sportswear and outdoor apparel	457	0	0	0	
Upstream vertical integration in Asia		457	457	240	217	By 31 December 2023
Repayment of Vista related loans		952	0	0	0	
Working capital and general corporate purposes		381	0	0	0	
Total		3,809	639	422	217	

At 31 December 2021, unutilised net proceeds were deposited in licensed banks and 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.

Pledge of Assets

At 31 December 2021, assets pledged by the Group are set out in note 11 to the consolidated financial statements included at the start of this announcement.

Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed below, the Group had neither material acquisition nor disposal of subsidiaries, associates and joint ventures for the year ended 31 December 2021.

On 4 June 2021, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the "**Masterknit Agreement**") with Fashion Fit Limited ("**Fashion Fit**"), a company incorporated in Hong Kong with limited liability that is a wholly-owned subsidiary of Crystal Group Limited, which is controlled by Mr. LO Lok Fung Kenneth and Mrs. LO CHOY Yuk Ching Yvonne who are executive directors of the Company.

Pursuant to the Masterknit Agreement, the Group conditionally agreed to acquire and Fashion Fit conditionally agreed to sell approximately 71.9% of the equity interest in Masterknit, a company incorporated in Hong Kong with limited liability. Masterknit is principally engaged in the development and production of flat knitted shoe upper products. The cash consideration of the acquisition was HK$83.8 million (equivalent to approximately US$10.8 million). The acquisition was completed on 30 June 2021 and accounted for as an acquisition of business using the acquisition method.

On 23 August 2021, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the "**Pine Wood Agreement**") with Green Sustainability International Limited ("**Green Sustainability**"), a company incorporated in Samoa with limited liability and Full Impact Limited ("**Full Impact**"), a company incorporated in British Virgin Islands with limited liability, both are independent third parties.

Pursuant to the Pine Wood Agreement, the Group conditionally agreed to acquire and Green Sustainability and Full Impact conditionally agreed to sell 63% and 37%, respectively, of the equity interest in Pine Wood Industries Limited ("**Pine Wood**"), a company incorporated in British Virgin Islands with limited liability. Pine Wood is an investment holding company and owns a fabric mill in Vietnam. The cash consideration of the acquisition was US$30.8 million. The acquisition was completed on 30 September 2021 and accounted for as an acquisition of business using the acquisition method.

Significant Investment Held

For the year ended 31 December 2021, the Group held no significant investments.

Contingent Liabilities

At 31 December 2021, the Group had no material contingent liability (31 December 2020: Nil).

Subsequent Events after the Reporting Period

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

EMPLOYMENT, TRAINING AND DEVELOPMENT

The Group employed around 77,000 people at 31 December 2021. Total staff costs, including administrative and management staff, for the year ended 31 December 2021 equated to 24.8% of revenue, compared with 25.0% in 2020. The Group remunerates its staff according to their performance, qualifications and industry practices, and conducts regular reviews of its remuneration policy. Employees may receive discretionary bonuses and monetary rewards based on their ratings in annual performance appraisals. The Group also offers rewards or other incentives to motivate the personal growth and career development of employees, such as ongoing opportunities for training to enhance their technical and product knowledge, as well as their knowledge of industry quality standards. Each new employee of the Group is required to attend an introductory course, while there are also various types of training courses available to all employees of the Group.

OUTLOOK AND PROSPECTS

The recovery of the end consumer market continues to support strong customer order demand heading into 2022. Order visibility is strong, as brands tend to place orders earlier to secure capacity at major vendors. However, rising raw material costs and the strained shipment situation will inevitably lead to inflation of consumer prices. At the same time, the outbreak of the Omicron variant and possible future variants of the COVID-19 virus will weigh on the stability of the overall supply chain. These trends are likely to continue in the foreseeable future.

Orders from sportswear customers continue to grow. In addition to the strong demand from the two new sportswear customers, the Group is pleased to announce the recent onboarding of another internationally renowned sportswear brand as our new customer, with the first shipment of orders delivered in recent months. As such, revenue contribution from sportswear is expected to increase its significance. In order to support the solid order growth from sportswear customers, the Group has revitalised an existing factory in Cambodia and converted it to serve our sportswear customers. The Group will continue to invest capital in further expansion at various locations of our multi-country manufacturing platform including Vietnam, Cambodia and Bangladesh. Capital investment is expected to be higher than the level in 2021 during the coming year.

The recent acquisition of the fabric mill in Vietnam demonstrates the Group's dedication to pursue vertical integration for the longer-term development of the Group. In addition to its strategic location, which should help satisfy our fabric supply needs in our two significant production bases, Vietnam and Cambodia, the acquisition also helped the Group acquire talents and skill sets of fabric mill operations, which the Group believes could help speed up our learning curve should we pursue organic growth to build and operate our own fabric mill in the future. The Group will continue gradually to locate regionally our fabric supply among our garment facilities to support our operations and meet the demand from our key customers more effectively.

OTHER INFORMATION

Final Dividend

The Board has resolved to propose a final dividend of HK9.8 cents per ordinary share for the year ended 31 December 2021.

The proposed final dividend payment is subject to approval by the shareholders of the Company ("**Shareholders**") at the annual general meeting (the "**AGM**") to be held on Wednesday, 15 June 2022. If approved by Shareholders, the proposed final dividend is expected to be paid on Thursday, 7 July 2022 to Shareholders whose names appear on the register of members of the Company on Monday, 27 June 2022.

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

The forthcoming AGM will be held on Wednesday, 15 June 2022. Notice of the AGM will be sent to Shareholders in due course. For the purpose of determining Shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 10 June 2022 to Wednesday, 15 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 9 June 2022.

For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 23 June 2022 to Monday, 27 June 2022, both days inclusive, during which period no transfer of shares will be registered. To qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 22 June 2022.

Corporate Governance Practices

The Group has complied with the Code Provisions set out in the Corporate Governance Code contained in Appendix 14 to Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the year ended 31 December 2021.

Directors' Securities Transactions

The Group has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Upon specific enquiry being made of all directors, each of them has confirmed their compliance with the required standards set out in the Model Code for the year ended 31 December 2021.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2021.

Scope of Work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements and, consequently, no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

Audit Committee and Review of the Annual Results

The Audit Committee (the "**AC**") has reviewed the Group's audited consolidated financial statements and reports relating to the year ended 31 December 2021 together with the external auditor satisfying itself as to the extent of work done by the external auditor, the consistent application of Group accounting policies, the appropriateness of financial judgements applied and the compliance with Board approved limits of connected party transactions. The AC also reviewed the unaudited condensed consolidated financial statements and reports issued by the Group for the six months ended 30 June 2021. In view of their material significance to the Group, the AC has given ongoing attention to the valuation of intangible assets. The AC is satisfied with the outcome of its various reviews.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and the website of the Company at http://www.crystalgroup.com, and the annual report of the Company for the year ended 31 December 2021 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, 16 March 2022

At the date of this announcement, the board of directors of the Company comprises Mr. LO Lok Fung Kenneth, Mrs. LO CHOY Yuk Ching Yvonne, Mr. LO Ching Leung Andrew, Mr. WONG Chi Fai, Mr. WONG Sing Wah and Mr. LO Howard Ching Ho, as executive directors; Mr. LEE Kean Phi Mark, as non-executive director; and Mr. GRIFFITHS Anthony Nigel Clifton, Mr. CHANG George Ka Ki, Mr. MAK Wing Sum Alvin and Mr. WONG Siu Kee, as independent non-executive directors.