CRYSTAL
International

2021
INTERIM REPORT 中期報告

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)
(於百慕達註冊成立的有限公司並以存續方式於開曼群島註冊)

Stock code 股份代號: 2232

* For identification purposes only 僅供識別

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LO Lok Fung Kenneth *(Chairman)*
Mrs. LO CHOY Yuk Ching Yvonne *(Vice Chairman)*
Mr. LO Ching Leung Andrew *(Chief Executive Officer)*
Mr. WONG Chi Fai
Mr. WONG Sing Wah
Mr. LO Howard Ching Ho

Independent Non-executive Directors

Mr. GRIFFITHS Anthony Nigel Clifton
Mr. CHANG George Ka Ki
Mr. MAK Wing Sum Alvin
Mr. WONG Siu Kee

BOARD COMMITTEES

Audit Committee

Mr. GRIFFITHS Anthony Nigel Clifton *(Chairman)*
Mr. CHANG George Ka Ki
Mr. MAK Wing Sum Alvin

Remuneration Committee

Mr. MAK Wing Sum Alvin *(Chairman)*
Mr. CHANG George Ka Ki
Mr. WONG Siu Kee
Mr. LO Lok Fung Kenneth

Nomination Committee

Mr. LO Lok Fung Kenneth *(Chairman)*
Mr. GRIFFITHS Anthony Nigel Clifton
Mr. MAK Wing Sum Alvin
Mr. WONG Siu Kee

Corporate Development Committee

Mr. LO Ching Leung Andrew *(Chairman)*
Mr. WONG Chi Fai
Mr. WONG Sing Wah
Mr. LO Howard Ching Ho
Mr. CHANG George Ka Ki
Mr. MAK Wing Sum Alvin
Mr. WONG Siu Kee
Mr. LI Wai Kwan
Mr. LEE Kean Phi Mark

AUTHORISED REPRESENTATIVES

Mr. LO Ching Leung Andrew
Mr. NG Tsz Yeung

COMPANY SECRETARY

Mr. NG Tsz Yeung

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors
35th Floor, One Pacific Place
88 Queensway, Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5–7/F., AXA Tower
Landmark East
No. 100 How Ming Street
Kowloon, Hong Kong

REGISTERED OFFICE

Ugland House
P.O. Box 309
Grand Cayman, KY1-1104
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Tel: 852 2862 8555
Fax: 852 2865 0990
Website: www.computershare.com/hk/contact

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093
Boundary Hill, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

LEGAL ADVISERS

Simpson Thacher & Bartlett
Maples and Calder (Hong Kong) LLP

COMPANY WEBSITE

www.crystalgroup.com

INVESTOR RELATIONS

ir@crystalgroup.com

STOCK CODE

2232

FINANCIAL HIGHLIGHTS

The financial figures are presented in United States Dollars ("**US$**").

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
Key Financial Information (US$'000)		
Revenue	**1,054,499**	921,014
Cost of Sales	**858,758**	750,509
Gross Profit	**195,741**	170,505
Profit for the period	**63,633**	27,584
Earnings per share (US cents)		
– basic	**2.23**	0.97
Key Financial Ratios		
Gross profit margin (%)	**18.6%**	18.5%
Net profit margin (%)	**6.0%**	3.0%

	At 30 June	At 31 December
	2021	2020
	(unaudited)	(audited)
Key Financial Information (US$'000)		
Total assets	**1,891,990**	1,782,512
Total liabilities	**690,908**	618,131
Total equity	**1,201,082**	1,164,381
Net debt (note a)	**—**	—
Cash and cash equivalents	**419,612**	383,427
Key Financial Ratios		
Net debt to equity ratio (%) (note b)	**—**	—
Cash conversion cycle (days) (note c)	**56**	64

Notes:

(a) Net debt represents total interest-bearing bank borrowings less bank balances and cash.

(b) Net debt to equity ratio represents total interest-bearing bank borrowings less bank balances and cash, divided by total equity.

(c) Cash conversion cycle represents inventory turnover days plus trade and bills receivables turnover days, less trade and bills payables turnover days.

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 2021.

MARKET OVERVIEW

Consumer demand has rebounded strongly following the gradual reopening of various markets that started late last year. Global economic activity resumed as the pandemic moderated due to mass vaccinations in various developed countries and confidence re-emerged. Alongside the resumption of major sports events in several countries and the Olympic Games in Tokyo, demand for apparel products, especially sportswear and athleisure products, continues to be strong. Changes in the workplace, including more work-from-home arrangements and virtual meetings, seem to be a more permanent trend even as the 2019 Novel Coronavirus ("**COVID-19**") threat moderates. Consequently, consumer preference is shifting noticeably towards more comfort and casual apparel products over traditional formal wear. In parallel, people continue to demand more workouts and exercise in order to stay healthy. These trends continue to accelerate the convergence between fashion and sportswear, which is favourable for the development of athleisure products.

Despite the strong rebound in demand for apparel products, the pandemic has had a continuing, negative impact on the recovery of economies in various parts of the world. During 2021, the COVID-19 virus has evolved into different variants such as those recognised in the United Kingdom (the "**U.K.**") (Alpha variant), South Africa (Beta variant), Brazil (Gamma variant) and India (Delta variant). These variants share several characteristics including evidence of being more easily transmitted. The presence of these variants has led to re-acceleration of the epidemic in the regions in which they are prevalent. For instance, the Delta variant that has been raging in India since the beginning of this year has gradually spread to other Southeast Asian countries, such as Indonesia, Cambodia, and Vietnam, indicating the pandemic is still prevalent. Last year, most local governments would call for an immediate, complete, nationwide lockdown when the pandemic first hit the nation, while in 2021 local governments have used a variety of approaches. Most governments impose restrictions only on unnecessary social activities and in infected zones, where the number of infected cases has suddenly surged, while some other governments tend to accept the coexistence of the virus and resume economic activities. Nonetheless, the spread of the virus in Southeast Asia, the manufacturing hub of the global supply chain, has inevitably caused interruptions to factory operations and disruptions to the global apparel supply.

In addition, international shipment capacity has been tight since the end of last year when the economic recovery began in the United States of America (the "**United States**" or "**US**") and Europe. The strong rebound in end-consumer demand together with lean inventory levels at retailers, especially in the US market, have created heavy demand for international shipment containers as well as freight cargo space. Port restrictions due to the pandemic have reduced the ability for shipping companies to swap over crews further limiting their ability to relocate international shipping containers to where they are most needed. All signs point to a continuing surge in shipment costs and air freight charges. The strained shipment situation has caused global brands to place their orders early in order to fulfill the upcoming seasons' demand. Until the consumer demand gradually eases to a more normal level and the international shipment situation improves, international logistics costs are forecast to remain high for the foreseeable future.

BUSINESS REVIEW

The rebound in end-consumer demand has led to strong customer orders since the fourth quarter in 2020. However, as the pandemic is still prevalent, especially among the Southeast Asia countries where the Group has extensive operations, our factories have been negatively impacted during the six months ended 30 June 2021. Certain local governments have announced short-term partial lockdowns of nearby regions where infected cases surged that has restricted some of our workers from commuting to work at our factories while operations at our factories have faced temporary interruptions, such as time off due to the accommodation of COVID-19 testing and comprehensive disinfection of facility premises. The result has been the temporary unavailability of certain of our capacity among our production bases.

As a result of the above, the Group's revenue for the first six months ended 30 June 2021 has increased compared to the same period last year, amounting to US$1,054 million (six months ended 30 June 2020: US$921 million). The gross profit margin was similar to the same period last year at 18.6% (six months ended 30 June 2020: 18.5%). Net profit for the six months ended 30 June 2021 was US$64 million (six months ended 30 June 2020: US$28 million), representing a net margin of 6.0% (six months ended 30 June 2020: 3.0%).

The major reasons for the significant increase of 130.7% in the net profit for the Group include, but are not limited to, the following:

- An impairment loss on trade receivables of approximately US$13.0 million was recognised in the first half of 2020. No significant impairment loss on trade receivables has been recognised in the first half of 2021; and

- A one-off cost of US$16.2 million in relation to the suspension of factory operations was recorded in the first half of 2020 but no such cost has been recorded in the first half of 2021.

During the period, the Group has completed the acquisition of Masterknit Limited ("**Masterknit**") with a shareholding of approximately 71.9% at a consideration of Hong Kong dollars ("**HK$**") 83.8 million. Masterknit is principally engaged in the development and production of flat knitted shoe upper products. The acquisition is expected to provide strong technical support to the Group's performance sweater business, and its shoe knitting machine capabilities also support the Group's product innovation, enabling the Group to offer a more comprehensive product portfolio and services to its customers, in particular, sportswear customers.

Capital expenditure for the six months ended 30 June 2021 amounted to US$42 million, mainly to support our three expansion projects in Vietnam. In view of the prevalent pandemic situation in Vietnam, the pace of our expansion projects has been slightly delayed. Including the acquisition of Masterknit, total capital investment for the six months ended 30 June 2021 was US$53 million (six months ended 30 June 2020: US$21 million).

The Board recognises the long-term support of shareholders and has resolved to declare an interim dividend of HK4 cents per ordinary share (six months ended 30 June 2020: HK3 cents). The interim dividend represents a distribution of 23.1% of the Group's net profit for the six months ended 30 June 2021.

FINANCIAL REVIEW

Revenue

The following table gives the Group's revenue for the six months ended 30 June 2021 compared to the same period in 2020, by product category, each expressed as an absolute amount and as a percentage of total revenue.

	For the six months ended 30 June			
	2021		2020	
	US$'000	**%**	US$'000	%
Lifestyle wear	**358,647**	**34.0%**	347,760	37.8%
Denim	**253,415**	**24.0%**	217,542	23.6%
Sportswear and outdoor apparel	**202,305**	**19.2%**	142,699	15.5%
Intimate	**186,169**	**17.7%**	160,574	17.4%
Sweater	**53,963**	**5.1%**	50,608	5.5%
Others (note)	**—**	**0.0%**	1,831	0.2%
Total Revenue	**1,054,499**	**100.0%**	921,014	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 14.5% compared to last year. With the continuing 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, are given below.

	For the six months ended 30 June			
	2021		2020	
	US$'000	**%**	US$'000	%
Asia Pacific (note 1)	**458,896**	**43.5%**	385,000	41.8%
United States	**370,257**	**35.1%**	333,116	36.2%
Europe (note 2)	**176,756**	**16.8%**	151,859	16.5%
Other countries/regions	**48,590**	**4.6%**	51,039	5.5%
Total Revenue	**1,054,499**	**100.0%**	921,014	100.0%

Notes:

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

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

Gross Profit and Gross Profit Margin

	For the six months ended 30 June			
	2021		2020	
	Gross Profit US$'000	**Gross Profit Margin %**	Gross Profit US$'000	Gross Profit Margin %
Lifestyle wear	**71,342**	**19.9%**	70,204	20.2%
Denim	**46,635**	**18.4%**	35,219	16.2%
Sportswear and outdoor apparel	**36,331**	**18.0%**	29,711	20.8%
Intimate	**32,068**	**17.2%**	27,508	17.1%
Sweater	**9,365**	**17.4%**	7,541	14.9%
Others	**—**	**0%**	322	17.6%
Total Gross Profit	**195,741**	**18.6%**	170,505	18.5%

Compared with the first half of 2020, the gross profit margin of Lifestyle wear and Intimate remained relatively stable in the first half of 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 is still prevalent in our countries of production interrupting our production operations. In endeavouring to meet shipment delivery requirements, we have had to make 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$13.0 million was recognised in the first half of 2020. No significant impairment loss on trade receivables has been recognised in the first half of 2021.

Our administrative, research and development expenses and other income decreased to 9.5% of revenue for the first half of 2021 (first half of 2020: 11.7%). A one-off cost of US$16.2 million in relation to the suspension of factory operations was recorded in the first half of 2020, but no such cost has been recorded in the first half of 2021.

The effective borrowing rate for the Group in the six months ended 30 June 2021 ranged from 1.22% to 5.00% compared to 1.31% to 5.25% for the same period in 2020. The Group had no fixed-rate borrowings at 30 June 2021. Finance costs amounted to 0.4% of revenue for the first half of 2021 compared with 0.7% in the first half of 2020.

Net Profit

Despite the impacts of the COVID-19 pandemic, the Group achieved a net profit of US$64 million for the six months ended 30 June 2021. Net profit as a percentage of revenue increased from 3.0% in the first half of 2020 to 6.0% in the first half of 2021.

Capital Management

The consolidated financial position of the Group remained sound throughout the first half of 2021. The positive operating cash flow of US$77 million in the six months (US$64 million for the same period in 2020) contributed to cash and cash equivalents of US$420 million at 30 June 2021, compared to 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$, have decreased slightly from US$178 million at 31 December 2020 to US$175 million at 30 June 2021. All bank borrowings of US$175 million at 30 June 2021 contained a repayable on demand clause and US$131 million is repayable within one year with US$44 million being repayable in more than one year but not more than two years.

The Group held a positive net cash position of US$245 million at 30 June 2021. The gearing ratio (total interest-bearing bank borrowings, less bank balances and cash, divided by total equity) at 30 June 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 for the six months ended 30 June 2021, averaged 56 days, compared to 64 days for the whole of 2020. Turnover of trade and bills receivables averaged 41 days in the first half of 2021, compared with 48 days average turnover throughout 2020. Inventory turnover remained stable at 58 days in the first half of 2021 and throughout 2020. Trade and bills payables turnover averaged 43 days in the first half of 2021 compared to 42 days throughout 2020.

Capital expenditure, incurred, in the main, for the building, equipping and upgrading of production facilities, has been carefully managed. For the six months ended 30 June 2021, capital expenditure amounted to US$42 million, compared to US$21 million for the same period in 2020. Capital commitments at 30 June 2021 were US$45 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.

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 30 June 2021, US$430 million (HK$3,352 million) has been applied:

- US$259 million (HK$2,019 million) to expand manufacturing capacity
- US$122 million (HK$952 million) to repay the Vista related loans
- US$49 million (HK$381 million) to use as working capital

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

Use	Segment	Revised Allocation of Net Proceeds as set out in the Announcement dated 13 March 2019 (US$'million)	Unutilised Net Proceeds at 31 December 2020 (US$'million)	Utilised Net Proceeds for the six months ended 30 June 2021 (US$'million)	Unutilised Net Proceeds at 30 June 2021 (US$'million)	Expected Timeline for Applying Unutilised Net Proceeds at 30 June 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	0	58	By 31 December 2023
Repayment of Vista related loans		122	0	0	0	
Working capital and general corporate purposes		49	0	0	0	
Total		488	82	24	58	

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 for the six months ended 30 June 2021 (HK$'million)	Unutilised Net Proceeds at 30 June 2021 (HK$'million)	Expected Timeline for Applying Unutilised Net Proceeds at 30 June 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	0	457	By 31 December 2023
Repayment of Vista related loans		952	0	0	0	
Working capital and general corporate purposes		381	0	0	0	
Total		3,809	639	182	457	

At 30 June 2021, 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.

Pledge of Assets

At 30 June 2021, assets pledged by the Group are set out in note 20 to the condensed consolidated financial statements.

Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed below, the Group had neither major acquisition nor disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2021.

On 4 June 2021, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the "**Sale and Purchase 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 Sale and Purchase 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 is HK$83,800,000 (equivalent to approximately US$10,796,000). The acquisition has been completed on 30 June 2021 and accounted for as an acquisition of business using the acquisition method.

Significant Investments Held

For the six months ended 30 June 2021, the Group held no significant investments.

Contingent Liabilities

At 30 June 2021, the Group had no material contingent liability (31 December 2020: Nil).

Subsequent Events after the Reporting Period

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

EMPLOYMENT, TRAINING AND DEVELOPMENT

The Group employed about 74,000 people at 30 June 2021. Total staff costs, including administrative and management staff, in the six months to 30 June 2021 equated to 26.4% of revenue, compared to 26.7% in the same period of 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 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. It is also the key to creating long-term environmental and social value for our stakeholders. Our sustainability framework, consisting of five pillars: environment, innovation, product integrity, employee care and community engagement, serves 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. Selected by the World Benchmarking Alliance as a keystone company of SDG2000: the most influential 2,000 companies for a more sustainable future last year, we are determined to scale up our strategic planning with the SDGs.

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

Environmental Stewardship

Under the framework of our Third Global 5-year Sustainability Targets, we are committed to combating climate change, conserving water resources and planting trees globally. We have planted over 2.88 million trees in the countries where we have a presence, since the start of our sustainability programme in 2007.

In the face of the climate challenge, we have applied low carbon manufacturing to our operations, and have progressively expanded the adoption of renewable energy, in particular rooftop solar photovoltaic systems. Our product carbon intensity has been reduced by 35% since 2007, which reflects the effectiveness of the factories' energy-saving measures. To escalate our commitment, we have signed the Fashion Industry Charter for Climate Action[(2)]. We are now focusing on the long-term carbon reduction goal — reducing 30% aggregate carbon emissions by 2030, with holistic planning of our decarbonisation strategy. To improve the effective management of climate-related risks, we have commenced a Task Force on Climate-related Financial Disclosures ("**TCFD**") study to benchmark our existing practices against TCFD recommendations.

In addition, we are actively building a circular economy model to redefine the way we design and manufacture our products, making effective use of resources and managing wastage. Our factories have launched various projects to embody circularity, for example, the "Second Life" eco denim collection made with recycled fabrics and sustainable materials, Ellen MacArthur Foundation's Jeans Redesign project[(3)].

(1) The United Nations Sustainable Development Goals are the 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.

(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) The Jeans Redesign Project, initiated by Ellen MacArthur Foundation, brought together more than 80 denim experts to develop the Jeans Redesign Guidelines. The guidelines aim to guide the industry to design and make products aligned with the principles of a circular economy.

Innovation and Digitalisation

Innovation is one of our sustainability pillars that have been infused into our employees and different parts of our operations. To drive the achievement of both manufacturing excellence and industry 4.0, digitalisation, automation, and artificial intelligence are widely applied.

We have transitioned to using digitalisation tools in many of our product development and manufacturing processes. These digital technologies offer versatility and flexibility while also enhancing efficiency.

We have scaled up digitalisation applying 3D virtual sampling to speed up the product development process, simultaneously reducing the environmental footprint associated with physical samples that are being phased out.

Our denim division has launched a digital showroom to provide higher transparency of fabric sources, materials and the manufacturing processes of our sustainable denim collection. In addition to product development, we have adopted virtual audits to monitor our product quality, social compliance, and environmental performance.

Employee Care and Community Engagement

Women empowerment has long been our focus. We have empowered 44,000 female employees through our self-developed CARE programme, which aims to develop our workers from achieving effectiveness to embracing breakthroughs. We leverage digitalisation to offer online P.A.C.E. training to flexibly equip our female employees, where in-person training could present difficulties. Other online training programmes, such as the Basic Education Equivalency Programme and the Harvard ManageMentor® training have also been launched to develop the job and personal skills of our staff and workers.

To foster gender equality in the workplace, which is the subject of growing attention worldwide, we are working with different global partners, including the International Labour Organization and the International Finance Corporation to implement various pilot diversity and inclusion initiatives and training.

The health and safety of employees continues to be of utmost importance to us during these challenging times. To motivate global employees to wear our self-developed Crystal face cover in their daily lives, we engaged them by organising the "selfie campaign" and held a lucky draw for all employees. In addition, we also arranged vaccination for the workers in our factories to protect their health.

We extended our care during the pandemic to the communities where we operate through our factories proactively making donations to the governments and supporting their fund-raising to purchase vaccines for the local communities. Our factories in Sri Lanka cooperated with governmental bodies to set up an Intermediate Care Centre within the industrial zone to treat COVID-19 positive cases. Our denim factory in China converted its recreation centre into a community vaccination centre.

To give back to our communities, we have participated in various types of community services aggregating to around 24,000 volunteering hours in our operating countries since 2018, exceeding the target set under the Third Global 5-year Sustainability Targets.

OUTLOOK AND PROSPECTS

The pandemic will continue to cast a shadow over the world's economic recovery for the remainder of this year. In particular, the recent outbreak of the Delta variant in the Southeast Asia region and the strained shipment situation are expected to weigh on the overall supply chain as well as the Group's operations in the second half of this year. While we expect that end consumer demand will remains strong throughout the full year in 2021, apparel supply will remain tight as the supply chain is expected to face inevitable interruptions, especially in the upcoming months.

Order visibility has been much improved compared to the initial reopening of markets from the pandemic restraints last year. In view of the tight supply, as mentioned above, brand customers tend to lock up capacity from large vendors and manufacturers earlier. While we are experiencing strong order booking from all our customers, the growth from our sportswear customers, in particular, is the strongest. The onboarding process for the two renowned international sportswear brands that the Group has newly developed customer relationships with in the past two years has gone smoothly. Together with the order growth for our other sportswear customers, the revenue contribution from sportswear is expected to increase its significance in the coming years.

The Group will continue its current pace of expansion in view of the strong demand from customers. At the same time, the Group has revitalised some capacities in Cambodia to serve our sportswear customers. Capital investment for the full year is expected to be similar to the level of 2019 following our expectation set at the beginning of this year.

Vertical integration has been part of the Group's development pipeline in recent years. During the pandemic, the Group observed the increasing availability of potential acquisition targets in the market. The Group will continue to actively pursue the plan for vertical integration, both through internal organic development building our own fabric mill and also by potential, external acquisition that should help the Group to speed up the process and its learning curve.

COMMUNICATION WITH SHAREHOLDERS

The Company's 2021 Annual General Meeting (the "**2021 AGM**") was held on 2 June 2021. All resolutions at the 2021 AGM were passed by way of a poll and the poll results were posted on the websites of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Company on the same day.

INTERIM DIVIDEND

The Board resolved to declare an interim dividend of HK4 cents (approximately US0.5 cent) per ordinary share for the six months ended 30 June 2021 payable to shareholders whose names appeared on the register of members of the Company on Tuesday, 7 September 2021.

The interim dividend was paid on Thursday, 16 September 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company was closed from Friday, 3 September 2021 to Tuesday, 7 September 2021 both days inclusive, during which period no transfer of shares was registered. To qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates had to 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, Wan Chai, Hong Kong, not later than 4:30 p.m. on Thursday, 2 September 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

BOARD OF DIRECTORS

At 30 June 2021, the composition of the Board was:

Executive Directors

Mr. LO Lok Fung Kenneth *(Chairman)* ("**Mr. Kenneth LO**")
Mrs. LO CHOY Yuk Ching Yvonne *(Vice Chairman)* ("**Mrs. Yvonne LO**")
Mr. LO Ching Leung Andrew *(Chief Executive Officer)* ("**Mr. Andrew LO**")
Mr. WONG Chi Fai ("**Mr. Frankie WONG**")
Mr. WONG Sing Wah ("**Mr. Dennis WONG**")
Mr. LO Howard Ching Ho ("**Mr. Howard LO**")

Independent Non-executive Directors

Mr. GRIFFITHS Anthony Nigel Clifton
Mr. CHANG George Ka Ki
Mr. MAK Wing Sum Alvin
Mr. WONG Siu Kee

There has been no change in the Board composition up to the date of this report.

BOARD OF DIRECTORS (Continued)

Updates on Directors' Information

Changes in the information of directors of the Company (the "**Directors**") during the six months ended 30 June 2021 and up to the date of this report, which is required to be disclosed pursuant to Rule 13.51(B) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), are set out below:

(1) Mr. Howard LO was appointed an executive director of the Company and a member of the corporate development committee of the Company with effect from 1 January 2021.

(2) Mr. TSE Man Bun Benny retired from office as an independent non-executive director of the Company and ceased to be a member of the audit committee of the Company (the "**Audit Committee**") with effect from the conclusion of the annual general meeting on 2 June 2021.

(3) Mr. MAK Wing Sum Alvin, an independent non-executive director of the Company, was appointed a member of the Audit Committee with effect from 2 June 2021. The annual director's fee of Mr. MAK Wing Sum Alvin has increased by HK$80,000 to HK$520,000 with effect from 2 June 2021. Hong Kong Television Network Limited (Stock Code: 1137), a Hong Kong listed company of which Mr. MAK Wing Sum Alvin is an independent non-executive director, changed its company name to Hong Kong Technology Venture Company Limited with effect from 13 July 2021.

(4) Mr. WONG Siu Kee was appointed an independent non-executive director of the Company and a member of each of the remuneration committee, the nomination committee and the corporate development committee of the Company with effect from 4 June 2021.

SENIOR MANAGEMENT

At 30 June 2021 and up to the date of this report, the composition of the senior management of the Company remains the same as that set out in the 2020 annual report of the Company.

CONTINUING PROFESSIONAL DEVELOPMENT

To assist the Directors and the executives in continuing their professional development, materials on the subject of corporate governance, including the Company's master policies, are provided to the Directors and the executives from time to time to keep them abreast of latest developments.

SHARE AWARD SCHEMES

The Company's share award scheme ("**Share Award Scheme A**") adopted in December 2016 remains the same as set out in the 2020 annual report of the Company.

The Company's further share award scheme ("**Share Award Scheme B**") adopted in April 2017 is valid and effective for a period of ten years, commencing from the date of the first grant of shares under this scheme. Details of this share award scheme are set out in the 2020 annual report of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

At 30 June 2021, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or were deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "**Model Code**")), to be notified to the Company and the Stock Exchange, were as follows:

Interest in the Company

Name of Director	Nature of Interest	Number of shares (note a)	Approximate Percentage of Shareholding in the Company (%)
Mr. Kenneth LO (note b)	Beneficial owner	1,141,136,640	40.00%
	Interest of spouse	1,142,741,140	40.06%
Mrs. Yvonne LO (note c)	Beneficial owner	1,141,136,640	40.00%
	Interest of spouse	1,141,136,640	40.00%
	Founder of a discretionary trust who can influence the trustee	1,604,500	0.06%
Mr. Andrew LO (note d)	Beneficial owner	8,074,080	0.28%
Mr. Dennis WONG (note d)	Beneficial owner	7,497,360	0.26%
Mr. Frankie WONG (note d)	Beneficial owner	4,806,000	0.17%
Mr. Howard LO (note d)	Beneficial owner	1,345,680	0.05%

Notes:

(a) All positions are long positions.

(b) Under the SFO, Mr. Kenneth LO, as the spouse of Mrs. Yvonne LO, is deemed to be interested in the 1,142,741,140 shares in which Mrs. Yvonne Lo is interested.

(c) Under the SFO, Mrs. Yvonne LO, as the spouse of Mr. Kenneth LO, is deemed to be interested in the 1,141,136,640 shares in which Mr. Kenneth LO is interested. Mrs. Yvonne LO and her spouse Mr. Kenneth LO were interested in a total of 1,604,500 shares held by The Incorporated Trustees of Yuk Ching Charity Trust of which Mrs. Yvonne LO is a founder and chairman.

(d) These shares were acquired pursuant to Share Award Scheme A.

Save as disclosed above, at 30 June 2021, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or were deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2021, the following person(s) (other than the Directors or chief executive of the Company), were directly or indirectly, interested in 5% or more of the shares or short positions in the shares and the underlying shares of the Company, which are required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Nature of Interest	Number of shares (Long position)	Approximate percentage of shareholding in the Company (%)
FIL Limited (note)	Interest in controlled corporation	170,991,500	5.99
Pandanus Partners L.P. (note)	Interest in controlled corporation	170,991,500	5.99
Pandanus Associates Inc. (note)	Interest in controlled corporation	170,991,500	5.99

Note: According to the disclosure of interest forms, FIL Limited is controlled (as defined under the SFO) by Pandanus Partners L.P., which in turn is controlled (as defined under the SFO) by Pandanus Associates Inc.. The 170,991,500 shares of the Company represent the same interests and are therefore duplicated among them.

Save as disclosed above, at 30 June 2021, the Directors are not aware of any other corporation or individual (other than the Directors or chief executive of the Company) who had an interest or a short position in the shares or underlying shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

PUBLIC FLOAT

At the date of this report, 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 2021 and up to the date of this report.

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedure. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted as its code of conduct regarding directors' securities transactions, the Model Code as set out in Appendix 10 to the Listing Rules. Upon specific enquiry 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 2021 and up to the date of this report.

AUDIT COMMITTEE

During the six months ended 30 June 2021, the composition of the Audit Committee changed. Mr. TSE Man Bun Benny retired from office as an independent non-executive director of the Company and ceased to be a member of the Audit Committee with effect from the conclusion of the annual general meeting on 2 June 2021. Mr. MAK Wing Sum Alvin, an independent non-executive director of the Company, was appointed a member of the Audit Committee with effect from 2 June 2021.

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 2021, 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 2020. Nothing of a significant nature regarding internal controls and risk management was reported. The Audit Committee reviewed the actions taken by management to address the findings and was satisfied the actions were appropriate and effective. 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 2021, recommending their adoption by the Board.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 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. It has encouraged the testing of the cyber defences in place by a competent third party and a programme of tests has been implemented with weaknesses identified by the tests remedied satisfactorily. Among other important risks examined, succession management and business compliance were reviewed. A significant, long term programme of investment and strengthening has been commenced regarding succession management. Business compliance is a complex area and the Audit Committee is satisfied with the steps taken so far. In addition, the Audit Committee recommended to the board the creation of an internal audit team in Vietnam to strengthen the Group's oversight of its Vietnamese operations. The board endorsed the recommendation and preliminary work to create such a team has started.

As reported last year, the Group has a written risk assessment process to identify, evaluate and manage significant risks. The Audit Committee satisfied itself that the process continued to be implemented effectively.

The Board being responsible for the structure and effectiveness of both the risk management and internal control systems, the Audit Committee also satisfied itself regarding the appropriateness and strength of internal controls.

The Audit Committee continued its practice of reviewing risks pertaining to the Company as a standing item at each of its meetings inviting input from the Chief Financial Officer. It used the reviews as one important factor in determining the priorities of the Internal Audit programmes.

CONNECTED PARTY TRANSACTIONS

The Audit Committee continued, during the half year, its periodic reviews of the approved connected party transactions and expenditure against, the caps on their annual values. It 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.

On Behalf of the Board
Crystal International Group Limited
LO Lok Fung Kenneth
Chairman

Hong Kong, 18 August 2021

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF
CRYSTAL INTERNATIONAL GROUP LIMITED
(incorporated in Bermuda with limited liability and registered by way of continuation in the Cayman Islands)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Crystal International Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 22 to 47, which comprise the condensed consolidated statement of financial position at 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "**Interim Financial Reporting**" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
	NOTES	**2021** **US$'000** **(unaudited)**	2020 US$'000 (unaudited)
Revenue	3	**1,054,499**	921,014
Cost of sales		**(858,758)**	(750,509)
Gross profit		**195,741**	170,505
Other income, gains or losses		**9,174**	9,621
Impairment losses under expected credit loss model, net of reversal	11	**(7)**	(12,961)
Selling and distribution expenses		**(15,262)**	(11,202)
Administrative expenses		**(93,599)**	(103,907)
Research and development expenses		**(15,230)**	(13,724)
Finance costs		**(3,891)**	(6,304)
Share of results of an associate		**340**	1,090
Profit before tax	4	**77,266**	33,118
Income tax expense	5	**(13,633)**	(5,534)
Profit for the period		**63,633**	27,584
Other comprehensive income (expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**3,451**	(4,157)
Fair value changes of 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	11	**–**	126
		3,451	(4,170)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit assets		**1,436**	(673)
Deferred tax (expense) credit arising on defined benefit assets		**(371)**	50
Surplus on revaluation of properties		**5,303**	3,372
Deferred tax expense arising on revaluation of properties		**(1,335)**	(761)
		5,033	1,988
Other comprehensive income (expense) for the period		**8,484**	(2,182)
Total comprehensive income for the period		**72,117**	25,402

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	NOTE	Six months ended 30 June 2021 US$'000 (unaudited)	 2020 US$'000 (unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		**63,634**	27,584
Non-controlling interests		**(1)**	—
		63,633	27,584
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**72,118**	25,402
Non-controlling interests		**(1)**	—
		72,117	25,402
Basic earnings per share for profit attributable to the owners of the Company (US cents)	7	**2.23**	0.97

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	NOTES	At 30 June 2021 US$'000 (unaudited)	At 31 December 2020 US$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	**608,687**	618,050
Right-of-use assets	8	**71,953**	57,056
Deposits paid for acquisition of property, plant and equipment		**13,082**	9,280
Goodwill		**74,941**	74,941
Intangible assets		**83,400**	85,859
Defined benefit assets		**2,810**	945
Interest in an associate		**17,490**	17,158
Loan receivables		**678**	1,252
		873,041	864,541
Current assets			
Inventories		**307,799**	235,609
Right-of-use assets	8	**2,091**	4,094
Trade, bills and other receivables	9	**208,650**	224,409
Trade receivables at fair value through other comprehensive income	10	**77,790**	64,987
Derivative financial instruments	14	**97**	—
Amounts due from related companies	17	**526**	684
Loan receivables		**746**	874
Tax recoverable		**1,638**	3,887
Bank balances and cash		**419,612**	383,427
		1,018,949	917,971
Total assets		**1,891,990**	1,782,512

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	NOTES	At 30 June 2021 US$'000 (unaudited)	At 31 December 2020 US$'000 (audited)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	**3,654**	3,654
Reserves		**1,193,151**	1,160,727
Equity attributable to owners		**1,196,805**	1,164,381
Non-controlling interests		**4,277**	—
Total equity		**1,201,082**	1,164,381
Non-current liabilities			
Other payables	12	**1,164**	1,299
Lease liabilities	13	**22,186**	11,902
Deferred taxation		**31,864**	30,376
		55,214	43,577
Current liabilities			
Trade, bills and other payables	12	**380,731**	357,632
Lease liabilities	13	**12,822**	12,183
Amount due to an associate	16	**6,973**	9,578
Dividend payable		**39,694**	—
Tax liabilities		**20,822**	16,753
Bank borrowings	15	**174,652**	178,408
		635,694	574,554
Total equity and liabilities		**1,891,990**	1,782,512

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company									
	Share capital US$'000	Share premium US$'000	Property revaluation reserve US$'000	Exchange reserve US$'000	Capital reserve US$'000	Financial instruments revaluation reserve US$'000	Retained profits US$'000	Subtotal US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2021 (audited)	**3,654**	**505,677**	**64,815**	**(61,612)**	**9,903**	**–**	**641,944**	**1,164,381**	**–**	**1,164,381**
Profit (loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**63,634**	**63,634**	**(1)**	**63,633**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**3,451**	**–**	**–**	**–**	**3,451**	**–**	**3,451**
Remeasurement of defined benefit assets	**–**	**–**	**–**	**–**	**–**	**–**	**1,436**	**1,436**	**–**	**1,436**
Deferred tax expense arising on defined benefit assets	**–**	**–**	**–**	**–**	**–**	**–**	**(371)**	**(371)**	**–**	**(371)**
Surplus on revaluation of properties	**–**	**–**	**5,303**	**–**	**–**	**–**	**–**	**5,303**	**–**	**5,303**
Deferred tax expense arising on revaluation of properties	**–**	**–**	**(1,335)**	**–**	**–**	**–**	**–**	**(1,335)**	**–**	**(1,335)**
Total comprehensive income (expense) for the period	**–**	**–**	**3,968**	**3,451**	**–**	**–**	**64,699**	**72,118**	**(1)**	**72,117**
Dividend recognised as distribution (Note 6)	**–**	**–**	**–**	**–**	**–**	**–**	**(39,694)**	**(39,694)**	**–**	**(39,694)**
Capital injection from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**58**	**58**
Acquisition of a subsidiary (Note 23)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4,220**	**4,220**
At 30 June 2021 (unaudited)	**3,654**	**505,677**	**68,783**	**(58,161)**	**9,903**	**–**	**666,949**	**1,196,805**	**4,277**	**1,201,082**
At 1 January 2020 (audited)	3,654	505,677	71,887	(80,678)	9,903	–	577,575	1,088,018	–	1,088,018
Profit for the period	–	–	–	–	–	–	27,584	27,584	–	27,584
Exchange difference arising on translation of foreign operations	–	–	–	(4,157)	–	–	–	(4,157)	–	(4,157)
Remeasurement of defined benefit assets	–	–	–	–	–	–	(673)	(673)	–	(673)
Deferred tax credit arising on defined benefit assets	–	–	–	–	–	–	50	50	–	50
Surplus on revaluation of properties	–	–	3,372	–	–	–	–	3,372	–	3,372
Deferred tax expense arising on revaluation of properties	–	–	(761)	–	–	–	–	(761)	–	(761)
Fair value changes on trade receivables at fair value through other comprehensive income	–	–	–	–	–	(139)	–	(139)	–	(139)
Impairment loss on trade receivables at fair value through other comprehensive income under expected credit loss model	–	–	–	–	–	126	–	126	–	126
Total comprehensive income (expense) for the period	–	–	2,611	(4,157)	–	(13)	26,961	25,402	–	25,402
Dividend recognised as distribution (Note 6)	–	–	–	–	–	–	(31,288)	(31,288)	–	(31,288)
Release of property revaluation reserve	–	–	(1,309)	–	–	–	1,309	–	–	–
At 30 June 2020 (unaudited)	3,654	505,677	73,189	(84,835)	9,903	(13)	574,557	1,082,132	–	1,082,132

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	NOTE	Six months ended 30 June 2021 US$'000 (unaudited)	2020 US$'000 (unaudited)
NET CASH FROM OPERATING ACTIVITIES		**76,595**	63,847
INVESTING ACTIVITIES			
Payment for property, plant and equipment		**(27,381)**	(31,309)
Payment for right-of-use assets		**(2,615)**	(1,392)
Proceeds on disposal of property, plant and equipment		**1,163**	6,904
Loan receivables received		**716**	544
Net cash inflow on acquisition of a subsidiary	23	**604**	—
Interest received		**583**	1,113
Receipt (payment) on settlement of derivative financial instruments		**113**	(427)
Loan repayment from an associate		**—**	2,500
NET CASH USED IN INVESTING ACTIVITIES		**(26,817)**	(22,067)
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(96,788)**	(148,701)
Repayment of lease liabilities		**(6,390)**	(6,595)
Interest paid		**(3,891)**	(6,304)
New bank borrowings raised		**93,286**	159,802
Capital injection from non-controlling interests		**58**	—
NET CASH USED IN FINANCING ACTIVITIES		**(13,725)**	(1,798)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**36,053**	39,982
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**132**	1,705
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**383,427**	260,211
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD, represented by bank balances and cash		**419,612**	301,898

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. GENERAL AND BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from the application of amendments to the 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 2021 are the same as those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021, in the preparation of the Group's condensed 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

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

The Group sells garments directly to its customers and revenue is recognised when control of the goods has transferred, being when the goods have arrived at the specific location (delivery). Transportation and other related activities that occur before the customers obtain control of the related goods are considered as fulfilment activities. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on-selling the goods and bears the risks of obsolescence and loss in relation to the goods. The Group allows credit periods ranging from 14 to 120 days to its trade customers. The Group allows certain of its trade customers an early settlement discount when the trade customers settle the consideration before the credit period granted. The sales to these trade customers are recognised as revenue when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The Group considers the early settlement discount is a form of cash discount and accordingly the amount of consideration is adjusted for the effects of the expected early settlement discount for each sales transaction based on the settlement pattern of the particular trade customer.

The contracts for sales of garments are for periods of one year or less. As permitted under IFRS 15 “Revenue from Contracts with Customers”, the transaction price allocated to the unsatisfied contracts is not disclosed.

(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) Sportswear and outdoor apparel

(iv) Intimate

(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.

3. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Segment revenue and results

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

Six months ended 30 June 2021 (unaudited)

	Lifestyle wear US$'000	Denim US$'000	Sportswear and outdoor apparel US$'000	Intimate US$'000	Sweater US$'000	Others US$'000	Total US$'000
SEGMENT REVENUE							
External sales	358,647	253,415	202,305	186,169	53,963	–	1,054,499
Segment profit	71,342	46,635	36,331	32,068	9,365	–	195,741
Other income, gains or losses							9,174
Impairment losses under expected credit loss model, net of reversal							(7)
Selling and distribution expenses							(15,262)
Administrative expenses							(93,599)
Research and development expenses							(15,230)
Finance costs							(3,891)
Share of results of an associate							340
Profit before tax							77,266

3. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Segment revenue and results (Continued)

Six months ended 30 June 2020 (unaudited)

	Lifestyle wear US$'000	Denim US$'000	Sportswear and outdoor apparel US$'000	Intimate US$'000	Sweater US$'000	Others US$'000	Total US$'000
SEGMENT REVENUE							
External sales	347,760	217,542	142,699	160,574	50,608	1,831	921,014
Segment profit	70,204	35,219	29,711	27,508	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 expenses							(103,907)
Research and development expenses							(13,724)
Finance costs							(6,304)
Share of results of an associate							1,090
Profit before tax							33,118

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 expenses, research and development expenses, finance costs and the 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.

3. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

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	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Asia Pacific (note a)	**458,896**	385,000
United States	**370,257**	333,116
Europe (note b)	**176,756**	151,859
Other countries/regions	**48,590**	51,039
	1,054,499	921,014

Notes:

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

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

4. PROFIT BEFORE TAX

	Six months ended 30 June	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**1,722**	1,510
Other staff costs	**251,931**	218,400
Redundancy costs (note a)	**—**	6,027
Retirement benefit schemes' contributions for other staff	**25,110**	20,038
Total staff costs (note b)	**278,763**	245,975
Depreciation of property, plant and equipment (note b)	**35,442**	39,323
Depreciation of right-of-use assets (note b)	**7,532**	7,051
Amortisation of intangible asset (included in selling and distribution expenses)	**2,459**	2,459
Cost of inventories recognised as expenses (note b)	**854,136**	746,856
Write-down of inventories	**4,622**	3,653
(Gain) loss on disposals of property, plant and equipment	**(405)**	6,431
Gain on termination of leases	**(35)**	(26)
Net (gain) loss arising from changes in fair value of derivative financial instruments	**(210)**	427
Interest income	**(583)**	(1,113)
Net foreign exchange loss	**813**	323
Finance costs:		
— interest expense on lease liabilities	**804**	906
— interest on bank borrowings	**1,497**	4,546
— interest on factoring arrangement	**1,590**	852

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 had been charged to profit or loss.

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

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
The income tax expense comprises:		
Hong Kong Profits Tax		
— current period	**5,319**	2,634
— overprovision in prior years	**(88)**	(251)
Overseas taxation		
— current period	**9,133**	4,575
— overprovision in prior years	**(360)**	(1,114)
	14,004	5,844
Deferred taxation	**(371)**	(310)
	13,633	5,534

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.

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 periods.

For the six months ended 30 June 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 periods.

Certain subsidiaries incorporated in Cambodia are exempted from tax on profit in both periods 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. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Final, declared, of HK5.8 cents per ordinary share for 2020 (2020: HK8.5 cents per ordinary share for 2019)	**21,317**	31,288
Special, declared, of HK5.0 cents per ordinary share for 2020 (2020: nil for 2019)	**18,377**	—
	39,694	31,288

Pursuant to a resolution passed by the Board of Directors (the "**Board**") on 18 August 2021, the Board has resolved to declare an interim dividend of HK4 cents (six months ended 30 June 2020: HK3 cents) per ordinary share, totalling approximately HK$114,113,000 (equivalent to approximately US$14,698,000) (six months ended 30 June 2020: approximately US$11,033,000) estimated on the number of shares in issue at 30 June 2021. 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 2021.

7. BASIC EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of calculating basic earnings per share	**63,634**	27,584
	'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 six months ended 30 June 2021 and 2020 as there were no potential dilutive ordinary shares in issue during both periods.

8. PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group incurred total expenditure of approximately US$19,535,000 (six months ended 30 June 2020: US$14,173,000) on the acquisition of property, plant and equipment.

The Group's owned properties classified as property, plant and equipment were revalued by the directors of the Company at the end of the current interim period. The resulting revaluation surplus of US$5,303,000 (six months ended 30 June 2020: US$3,372,000) has been credited to the property revaluation reserve during the six months ended 30 June 2021.

During the current interim period, the Group entered into several new lease agreements with lease terms ranging from 2 months to 44 years (six months ended 30 June 2020: 1 month to 34 years) and fixed monthly payments. The Group recognised new right-of-use assets of US$18,171,000 (six months ended 30 June 2020: US$2,878,000) and lease liabilities of US$18,171,000 (six months ended 30 June 2020: US$2,878,000) during the current interim period. The Group recognised new right-of-use assets in relation to a parcel of leasehold land with a lump sum payment of US$2,615,000 (six months ended 30 June 2020: US$1,392,000).

9. TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2021 US$'000 (unaudited)	At 31 December 2020 US$'000 (audited)
Trade receivables — contracts with customers	**162,870**	183,873
Less: allowance for expected credit losses	**(9,262)**	(9,218)
	153,608	174,655
Bills receivable	**8**	1,445
Temporary payments to suppliers	**9,031**	8,010
Other receivables, deposits and prepayments	**46,003**	40,299
	208,650	224,409

9. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

The Group allows credit periods ranging from 14 to 120 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for credit losses, based on invoice dates.

	At 30 June 2021 US$'000 (unaudited)	At 31 December 2020 US$'000 (audited)
Within 60 days	**137,544**	160,322
61 to 90 days	**14,420**	13,245
91 to 120 days	**1,530**	1,037
Over 120 days	**114**	51
	153,608	174,655

10. TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As part of the Group's cash flow management, the Group factors certain trade receivables to financial institutions before the receivables are due for repayment. 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 fair value through other comprehensive income ("**FVTOCI**").

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

	At 30 June 2021 US$'000 (unaudited)	At 31 December 2020 US$'000 (audited)
Within 60 days	**62,562**	56,167
61 to 90 days	**10,473**	8,123
91 to 120 days	**4,502**	504
Over 120 days	**253**	193
	77,790	64,987

Details of the valuation techniques and key inputs adopted for their fair value measurements are disclosed in note 22.

11. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	Six months ended 30 June	
	2021	2020
	US$'000	US$'000
	(unaudited)	(unaudited)
Impairment losses recognised in respect of		
— trade receivables	**7**	12,675
— trade receivables at FVTOCI	**—**	126
— other receivables	**—**	160
	7	12,961

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020.

12. TRADE, BILLS AND OTHER PAYABLES

	At 30 June 2021	At 31 December 2020
	US$'000	US$'000
	(unaudited)	(audited)
Trade payables	**199,782**	172,881
Bills payable	**16,201**	16,224
Accrued staff cost	**73,219**	79,467
Other payables	**50,296**	51,367
Other accruals	**42,397**	38,992
Total trade, bills and other payables	**381,895**	358,931

12. TRADE, BILLS AND OTHER PAYABLES (Continued)

The total is analysed for reporting purposes as:

	At 30 June 2021 US$'000 (unaudited)	At 31 December 2020 US$'000 (audited)
Current	**380,731**	357,632
Non-current	**1,164**	1,299
	381,895	358,931

At 30 June 2021, the non-current amounts are related to the purchase of property, plant and equipment and are unsecured, interest-free and repayable from 2022 to 2025 (31 December 2020: repayable from 2022 to 2025).

The credit period of trade payables is from 14 to 90 days (31 December 2020: 14 to 90 days). The following is an aged analysis of trade payables based on invoice dates.

	At 30 June 2021 US$'000 (unaudited)	At 31 December 2020 US$'000 (audited)
Within 60 days	**162,020**	142,948
61 to 90 days	**28,231**	25,176
91 to 120 days	**7,051**	2,469
Over 120 days	**2,480**	2,288
	199,782	172,881

13. LEASE LIABILITIES

Included in the lease liabilities is the balance of US$1,572,000 (31 December 2020: US$3,633,000) with related companies controlled by certain directors of the Company. During the current interim period, interest expense of US$19,000 (six months ended 30 June 2020: US$49,000) has been charged to profit or loss and repayment of US$1,827,000 (six months ended 30 June 2020: US$1,777,000) has been made in relation to the lease liabilities and interest expense with the related companies.

Certain directors of the Company, namely Mr. LO Lok Fung Kenneth, Mrs. LO CHOY Yuk Ching Yvonne and Mr. LO Ching Leung Andrew, have significant influence in these companies.

14. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2021 US$'000 (unaudited)	At 31 December 2020 US$'000 (audited)
Derivative financial assets		
Foreign currency exchange contracts	**97**	—

The major components of the foreign currency exchange contracts at 30 June 2021 are as follows:

Notional amount	**Currency conversion**
6 contracts to sell US$18,000,000 in total (note)	US$1:RMB6.4374 — RMB6.6375

Note: The contracts existing at the end of the reporting period had a maturity of less than 12 months.

During the six months ended 30 June 2021, net fair value gains from foreign currency exchange contracts of US$210,000 (six months ended 30 June 2020: net fair value losses of US$427,000) were recognised directly in profit or loss.

15. BANK BORROWINGS

During the six months ended 30 June 2021, the Group obtained new bank borrowings of US$93,286,000 (six months ended 30 June 2020: US$159,802,000) and repaid bank borrowings of US$96,788,000 (six months ended 30 June 2020: US$148,701,000). The bank borrowings of the Group carry interest at market rates ranging from 1.22% to 5.00% (year ended 31 December 2020: 1.25% to 5.00%) per annum.

16. AMOUNT DUE TO AN ASSOCIATE

The amount is trade in nature, unsecured, interest-free and repayable according to the credit period of 90 days. The amount is aged within 90 days.

17. AMOUNTS DUE FROM RELATED COMPANIES

	At 30 June 2021 US$'000 (unaudited)	At 31 December 2020 US$'000 (audited)
Amounts due from related companies (note a)		
Companies controlled by certain directors of the Company (note b)	**526**	684

Notes:

(a) At 30 June 2021, amounts due from related companies included US$526,000 (31 December 2020: US$538,000) which are non-trade in nature, unsecured, interest-free and repayable on demand. The maximum balances during the six months ended 30 June 2021 were US$538,000 (year ended 31 December 2020: US$1,641,000). The remaining balance of US$146,000 at 31 December 2020 was trade in nature, unsecured, interest-free and repayable according to the credit period of 30 days. The amounts were aged within 30 days.

(b) Certain directors of the Company, namely Mr. LO Lok Fung Kenneth, Mrs. LO CHOY Yuk Ching Yvonne and Mr. LO Ching Leung Andrew, have significant influence in these companies.

18. SHARE CAPITAL

	At 30 June 2021 US$'000 (unaudited)	At 31 December 2020 US$'000 (audited)
Issued and fully paid		
2,852,822,000 ordinary shares of HK$0.01 each	**3,654**	3,654

19. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had capital commitments as follows:

	At 30 June 2021 US$'000 (unaudited)	At 31 December 2020 US$'000 (audited)
Contracted for but not provided for in the condensed consolidated financial statements in relation to the acquisition of property, plant and equipment	**44,845**	26,519

20. 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 2021 US$'000 (unaudited)	At 31 December 2020 US$'000 (audited)
Property, plant and equipment	**5,035**	4,739
Inventories	**10,785**	8,910
Trade receivables	**443**	576
	16,263	14,225

21. RELATED PARTY TRANSACTIONS

(i) Related party transactions

During the period, the Group entered into transactions with the following related parties:

Relationship	Nature of transaction	Six months ended 30 June **2021** **US$'000** **(unaudited)**	 2020 US$'000 (unaudited)
An associate	Purchase of materials	**(9,192)**	(16,661)
	Claims received	**14**	10
Companies controlled by certain directors of the Company (note i)	Management service income (note ii)	**392**	374
	Subcontracting income (note ii)	**2,257**	1,716
	Interest expense on lease liabilities	**(19)**	(49)
	Handling fee received	**17**	18

Notes:

(i) Certain directors of the Company, namely Mr. LO Lok Fung Kenneth, Mrs. LO CHOY Yuk Ching Yvonne and Mr. LO Ching Leung Andrew, have significant influence in these companies.

(ii) The income was generated from the services provided to Masterknit (as defined in note 23) prior to the acquisition by the Group during the six months ended 30 June 2021. For details of acquisition, please refer to note 23.

At the end of the reporting period, the Group has provided a corporate guarantee to an associate of the Group to secure the banking facilities granted to an associate to the extent of US$6,500,000 (31 December 2020: US$6,500,000). The Group is required to pay immediately if the associate is unable to meet its obligation.

(ii) Emoluments of key management personnel

Emoluments of directors, who are also the key management personnel, during the period were as follows:

	Six months ended 30 June **2021** **US$'000** **(unaudited)**	 2020 US$'000 (unaudited)
Short-term benefits	**1,676**	1,477
Post-employment benefits	**46**	33
	1,722	1,510

The emoluments of directors are recommended to the Board by the Remuneration Committee of the Company having regard to the performance of each individual and comparable market statistics.

21. RELATED PARTY TRANSACTIONS (Continued)

(iii) Related party balances

The Group's outstanding balances with related parties at 30 June 2021 and 31 December 2020 are set out in aggregate in these condensed consolidated statements of financial position and the corresponding notes thereto.

(iv) Licence agreement entered into with a related company

The Group entered into a licence agreement on 20 March 2017 with a related company controlled by Mr. LO Lok Fung Kenneth and Mrs. LO CHOY Yuk Ching Yvonne who are executive directors of the Company, pursuant to which the related company agreed to grant to the Group a licence to use certain trademarks and domain names in connection with its business and operations in various territories for three years commencing 1 January 2017 ("**Initial Term**") automatically renewed for a successive three years upon expiration of the Initial Term ("**Renewed Term**"). The consideration is HK$1.00 for the Renewed Term.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

	Fair value at			
	30.6.2021 US$'000 (unaudited)	31.12.2020 US$'000 (audited)	**Fair value hierarchy**	**Valuation techniques and key inputs**
Financial Assets				
Trade receivables at FVTOCI (note 10)	**77,790**	64,987	Level 2	A discounted cash flow method is used to assess the present value of the cash flows to be derived from the receivables using the discount rates from the factoring arrangements.
Foreign currency exchange contracts classified as derivative financial assets (note 14)	**97**	—	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers into or out of Level 2 during the period.

For financial assets and financial liabilities that are not measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of these financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

23. ACQUISITION OF A SUBSIDIARY

On 4 June 2021, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the "**Sale and Purchase 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 Sale and Purchase Agreement, the Group conditionally agreed to acquire and Fashion Fit conditionally agreed to sell approximately 71.9% of the equity interest in Masterknit Limited ("**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 is HK$83,800,000 (equivalent to approximately US$10,796,000). The acquisition has been completed on 30 June 2021 and accounted for as an acquisition of business using the acquisition method.

Assets and liabilities recognised at the date of acquisition

	US$'000
Property, plant and equipment	2,309
Deferred tax assets	1
Inventories	563
Trade and other receivables	1,782
Bank balances and cash	11,400
Trade and other payables	(665)
Amounts due to related parties	(247)
Tax payables	(127)
	15,016

The fair value of trade and other receivables at the date of acquisition amounted to US$1,782,000. The gross contractual amounts of those trade and other receivables acquired amounted to US$1,827,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flow not expected to be collected is approximately US$45,000.

23. ACQUISITION OF A SUBSIDIARY (Continued)

Non-controlling interests

The non-controlling interest (approximately 28.1%) in Masterknit recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of Masterknit and amounted to US$4,220,000.

There are neither goodwill nor bargain purchase arising on the acquisition of Masterknit.

Net cash inflows arising on acquisition of Masterknit

	US$'000
Consideration paid in cash	10,796
Less: bank balances and cash acquired	(11,400)
	(604)

Impact of acquisition on the results of the Group

No revenue and no profit for the six months ended 30 June 2021 was attributed to the additional business generated by Masterknit.

Had the acquisition been completed on 1 January 2021, the Group's total revenue for the six months ended 30 June 2021 would have been approximately US$1,056,852,000 and profit for the six months ended 30 June 2021 would have been approximately US$64,474,000. This proforma information is provided for illustrative purposes only and is not necessarily an indication of the revenue and profits the Group would actually have achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

In determining the "proforma" revenue and profit of the Group had Masterknit been acquired on 1 January 2021, the directors of the Company have calculated depreciation of property, plant and equipment based on the recognised amounts of property, plant and equipment at the date of the acquisition.

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