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

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

(Stock code: 2232)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022**

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2022 amounted to US\$2,491 million (2021: US\$2,341 million).
- Net profit for the year ended 31 December 2022 amounted to US\$173 million (2021: US\$163 million).
- Proposed to declare a final dividend of HK11.8 cents (approximately US1.5 cents) per ordinary share. Together with the interim dividend paid, total dividend per ordinary share for the year ended 31 December 2022 would amount to HK16.8 cents (2021: 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 2022, together with the comparative figures for the year ended 31 December 2021.

* *For identification purposes only*

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>NOTES</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Revenue	3	2,490,966	2,341,432
Cost of sales		(2,027,616)	(1,893,822)
Gross profit		463,350	447,610
Other income, gains or losses		21,563	15,702
Impairment losses under expected credit loss model, net of reversal		1,856	(669)
Selling and distribution expenses		(26,920)	(24,047)
Administrative expenses		(202,342)	(208,804)
Research and development expenses		(34,358)	(31,057)
Finance costs		(10,977)	(7,416)
Share of results of an associate		524	530
Profit before tax	4	212,696	191,849
Income tax expense	5	(39,467)	(28,558)
Profit for the year		173,229	163,291
Other comprehensive (expense) income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		(67,825)	14,198
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement of defined benefit assets		–	(217)
Deferred tax credit arising on defined benefit assets		–	163
Surplus on revaluation of properties		3,021	2,084
Deferred tax expense arising on revaluation of properties		(1,336)	(509)
		1,685	1,521
Other comprehensive (expense) income for the year		(66,140)	15,719
Total comprehensive income for the year		107,089	179,010

	<i>NOTE</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Profit for the year attributable to:			
Owners of the Company		172,726	163,106
Non-controlling interests		503	185
		<hr/> 173,229	<hr/> 163,291
 Total comprehensive income for the year attributable to:			
Owners of the Company		106,586	178,825
Non-controlling interests		503	185
		<hr/> 107,089	<hr/> 179,010
 Basic earnings per share for profit attributable to the owners of the Company (<i>US cents</i>)	<i>6</i>	<hr/> 6.05 <hr/>	<hr/> 5.72 <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2022

	<i>NOTES</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		582,342	623,811
Right-of-use assets		98,316	86,775
Deposits paid for acquisition of property, plant and equipment		24,992	12,339
Goodwill		74,941	74,941
Intangible assets		76,025	80,942
Defined benefit assets		–	–
Interest in an associate		16,376	16,338
Loan receivables		225	520
Deferred taxation assets		1,185	–
		<hr/> 874,402	<hr/> 895,666
Current assets			
Inventories		280,202	308,344
Right-of-use assets		1,495	1,600
Trade, bills and other receivables	<i>8</i>	154,467	251,305
Trade receivables at fair value through other comprehensive income	<i>9</i>	126,701	99,495
Amounts due from related companies		216	217
Loan receivables		1,062	756
Tax recoverable		1,364	842
Bank balances and cash		455,056	401,270
		<hr/> 1,020,563	<hr/> 1,063,829
Total assets		<hr/> 1,894,965	<hr/> 1,959,495

	<i>NOTE</i>	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		3,654	3,654
Reserves		1,337,828	1,285,202
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,341,482	1,288,856
Non-controlling interests		3,817	4,463
		<hr/>	<hr/>
Total equity		1,345,299	1,293,319
		<hr/>	<hr/>
Non-current liabilities			
Other payables	<i>10</i>	318	825
Lease liabilities		20,515	19,461
Deferred taxation liabilities		38,977	34,714
		<hr/>	<hr/>
		59,810	55,000
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	<i>10</i>	340,285	396,967
Lease liabilities		10,310	11,367
Amount due to an associate		13,717	12,719
Tax liabilities		23,847	22,526
Bank borrowings		101,697	167,597
		<hr/>	<hr/>
		489,856	611,176
		<hr/>	<hr/>
Total equity and liabilities		1,894,965	1,959,495
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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 Group’s annual period beginning on 1 January 2022 for the preparation of the Group’s consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

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 positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 Impacts on application of Amendments to IFRS 3 “Reference to the Conceptual Framework”

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. The amendments update a reference in IFRS 3 “Business Combinations” so that it refers to the “Conceptual Framework for Financial Reporting” issued by the IASB in March 2018 (the “**Conceptual Framework**”) instead of the International Accounting Standards Committee’s “Framework for the Preparation and Presentation of Financial Statements” (replaced by the “**Conceptual Framework for Financial Reporting**” issued in September 2010), add a requirement that, for transactions and events within the scope of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” (“**IAS 37**”) or IFRIC 21 “Levies” (“**IFRIC 21**”), an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination and add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

(b) Segment information

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

- (i) Lifestyle wear
- (ii) Denim
- (iii) Sportswear and outdoor apparel
- (iv) Intimate
- (v) Sweater

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 2022

	Lifestyle wear <i>US\$'000</i>	Denim <i>US\$'000</i>	Sportswear and outdoor apparel <i>US\$'000</i>	Intimate <i>US\$'000</i>	Sweater <i>US\$'000</i>	Total <i>US\$'000</i>
SEGMENT REVENUE						
External sales	697,450	567,723	556,548	470,912	198,333	2,490,966
Segment profit	139,633	92,256	101,753	87,261	42,447	463,350
Other income, gains or losses						21,563
Impairment losses under expected credit loss model, net of reversal						1,856
Selling and distribution expenses						(26,920)
Administrative expenses						(202,342)
Research and development expenses						(34,358)
Finance costs						(10,977)
Share of results of an associate						524
Profit before tax						<u>212,696</u>

Year ended 31 December 2021

	Lifestyle wear US\$'000	Denim US\$'000	Sportswear and outdoor apparel US\$'000	Intimate US\$'000	Sweater US\$'000	Total US\$'000
SEGMENT REVENUE						
External sales	734,963	570,962	426,550	427,915	181,042	2,341,432
Segment profit	146,743	104,413	76,593	83,895	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

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

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

Segment assets and liabilities

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

Revenue from major customers

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

	Segment	2022 US\$'000	2021 US\$'000
Customer A	Lifestyle wear, Denim, Sportswear and outdoor apparel, Intimate and Sweater	748,592	787,652

Geographical information

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
United States ("U.S.")	959,853	908,180
Asia Pacific (<i>note a</i>)	940,759	949,656
Europe (<i>note b</i>)	449,119	386,834
Other countries/regions	141,235	96,762
	<hr/> 2,490,966 <hr/>	<hr/> 2,341,432 <hr/>

Notes:

- (a) Asia Pacific primarily includes Japan, the People's Republic of China (the "PRC") and South Korea.
- (b) Europe primarily includes France, Germany, the Netherlands and the United Kingdom (the "U.K.").

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Asia Pacific (<i>note a</i>)	856,667	878,731
Europe (<i>note b</i>)	200	290
	<hr/> 856,867 <hr/>	<hr/> 879,021 <hr/>

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	6,979	6,862
Other staff costs	522,224	521,648
Redundancy costs (<i>note a</i>)	10,000	–
Retirement benefit schemes contributions for other staff	53,940	51,995
	<u>593,143</u>	<u>580,505</u>
Total staff costs (<i>note d</i>)		
Auditors' remuneration:		
– audit services	1,110	1,097
– non-audit services	378	486
Cost of inventories recognised as expenses (including write-down of inventories amounting to US\$14,846,000 (2021: US\$10,232,000)) (<i>note d</i>)	2,013,351	1,893,822
Depreciation of property, plant and equipment (<i>note d</i>)	72,671	72,865
Depreciation of right-of-use assets (<i>note d</i>)	14,930	15,164
Amortisation of intangible asset (included in selling and distribution expenses)	4,917	4,917
Impairment loss recognised in respect of property, plant and equipment (<i>note b</i>)	16,539	–
Impairment loss recognised in respect of goodwill (<i>note e</i>)	4,780	813
Write-down of deposit paid for acquisition of property, plant and equipment	596	–
Net loss (gain) arising from changes in fair value of derivative financial instruments	979	(619)
Government grants (<i>note c</i>)	(4,532)	(2,504)
	<u>(4,532)</u>	<u>(2,504)</u>

Notes:

- (a) During the year ended 31 December 2022, the Group has performed a review of all production sites in PRC and had decided a rightsizing plan to improve business performance and profitability. As a result, redundancy cost amounting to US\$10,000,000 was charged to profit or loss.
- (b) During the year ended 31 December 2022, due to the economic crisis and the uncertainty in the political environment in Sri Lanka, the Group has performed the impairment assessment on the Group's subsidiary in Sri Lanka. Consequently, the Group recognised an impairment loss amounting to approximately US\$2,295,000 in respect of property, plant and equipment and charged to profit or loss, in which US\$1,937,000 and US\$358,000 were included in the "cost of sales" and "administrative expenses" line items respectively. In addition, as a result of the rightsizing of production sites in the PRC, an impairment loss amounting to approximately US\$14,244,000 in respect of property, plant and equipment was recognised and charged to profit or loss, in which US\$12,328,000 and US\$1,916,000 were included in the "cost of sales" and "administrative expenses" line items respectively.
- (c) During the year ended 31 December 2022, the Group recognised government grants of US\$3,599,000 (2021: US\$2,504,000) from government authorities in different countries to support the operations of subsidiaries of the Company. The remaining amount of US\$933,000 recognised during the year ended 31 December 2022 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 2022, the Group recognised an impairment loss of US\$4,162,000 and US\$618,000 in respect of goodwill arising from the acquisition of How Are You Textile Industry Limited and Successor Limited respectively.

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 Industries Limited.

5. INCOME TAX EXPENSE

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
The income tax expense comprises:		
Hong Kong Profits Tax		
– current year	16,667	11,487
– under(over)provision in prior years	151	(17)
Overseas taxation		
– current year	22,409	20,780
– overprovision in prior years	(3,669)	(3,451)
	<u>35,558</u>	<u>28,799</u>
Deferred taxation	3,909	(241)
	<u><u>39,467</u></u>	<u><u>28,558</u></u>

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

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

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

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

Certain subsidiaries incorporated in Cambodia are exempted from tax on profit 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:

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Earnings:		
Profit for the year attributable to the owners of the Company for the purpose of calculating basic earnings per share	<u>172,726</u>	<u>163,106</u>
	<i>'000</i>	<i>'000</i>
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings per share	<u>2,852,822</u>	<u>2,852,822</u>

No diluted earnings per share was presented for the years ended 31 December 2022 and 2021 as there were no potential dilutive ordinary shares in issue during both years.

7. DIVIDENDS

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Final, paid – HK9.8 cents per ordinary share for 2021 (2021: HK5.8 cents per ordinary share for 2020)	35,789	21,317
Interim, paid – HK5.0 cents per ordinary share for 2022 (2021: HK4.0 cents per ordinary share for 2021)	18,171	14,656
Special, paid – nil for 2021 (2021: HK5.0 cents per ordinary share for 2020)	<u>–</u>	<u>18,377</u>
	<u>53,960</u>	<u>54,350</u>

A final dividend of HK11.8 cents (2021: HK9.8 cents) per ordinary share in total of approximately HK\$336,633,000 (equivalent to approximately US\$43,120,000) (2021: HK\$279,577,000 (equivalent to approximately US\$35,789,000)), in respect of the year ended 31 December 2022 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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Trade receivables – contracts with customers	118,922	206,726
Less: allowance for expected credit losses	<u>(7,879)</u>	<u>(9,830)</u>
	111,043	196,896
Bills receivable	1,517	15
Temporary payments to suppliers	9,486	11,032
Other receivables, deposits and prepayments	<u>32,421</u>	<u>43,362</u>
	<u>154,467</u>	<u>251,305</u>

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Within 60 days	97,330	179,886
61 to 90 days	10,057	14,501
91 to 120 days	2,057	2,278
Over 120 days	<u>1,599</u>	<u>231</u>
	<u>111,043</u>	<u>196,896</u>

9. 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 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 fair value through other comprehensive income ("FVTOCI").

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Within 60 days	82,389	77,223
61 to 90 days	37,795	14,962
91 to 120 days	4,179	6,291
Over 120 days	<u>2,338</u>	<u>1,019</u>
	<u>126,701</u>	<u>99,495</u>

10. TRADE AND OTHER PAYABLES

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Trade payables	112,742	187,257
Bills payable	5,470	13,410
	<u>118,212</u>	<u>200,667</u>
Accrued staff cost	105,201	92,303
Other payables	56,019	50,597
Other accruals	61,171	54,225
	<u>61,171</u>	<u>54,225</u>
Total trade and other payables	<u><u>340,603</u></u>	<u><u>397,792</u></u>

The total is analysed for reporting purposes as:

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Current	340,285	396,967
Non-current	318	825
	<u>318</u>	<u>825</u>
	<u><u>340,603</u></u>	<u><u>397,792</u></u>

At 31 December 2022, the non-current amounts are related to the purchase of property, plant and equipment and are unsecured, interest-free and repayable from 2024 to 2025 (2021: repayable from 2023 to 2025).

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

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Within 60 days	107,480	181,448
61 to 90 days	8,542	14,667
91 to 120 days	332	2,705
Over 120 days	1,858	1,847
	<u>1,858</u>	<u>1,847</u>
	<u><u>118,212</u></u>	<u><u>200,667</u></u>

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.

	2022 <i>US\$'000</i>	2021 <i>US\$'000</i>
Property, plant and equipment	2,247	2,499
Inventories	3,988	5,009
	<u>3,988</u>	<u>5,009</u>
	<u><u>6,235</u></u>	<u><u>7,508</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

The year 2022 was full of both opportunities and challenges. On the positive front, with the relaxation of COVID-19-related restrictions on mobility in many countries, consumer demand for apparel strengthened, surpassing the pre-pandemic level, especially in the first half of 2022. The recovery in consumer confidence supported our orders from brand customers. Despite the recovery in consumer demand, along with the resumption of economic activities in various countries, macro-economic uncertainty cast a shadow on the global recovery of the consumer market owing to rising interest rates and the possibility of a recession in the U.S. market. One bright spot, however, is growing consumer awareness of the importance of health and exercise and the rising popularity of working out and participating in outdoor activities, which has continued to support sales of sportswear and athleisure products.

On the supply chain side, compared to the worst of the pandemic period in 2021, when some governments imposed sweeping lockdowns, there were fewer global supply chain disruptions in 2022. International oil prices and cotton prices peaked in the first half of 2022, but gradually retreated in the second half. Global container freight index also tumbled from their peak and is returning to the pre-pandemic level. Thus, the high supply chain costs in the first half of 2022 had eased considerably by the end of the year.

BUSINESS REVIEW

The recovery in consumer demand led to strong orders from our brand customers. Although revenue growth in the second half of the year was moderate compared to that in the first half, revenue throughout the year still surpassed the pre-pandemic level. Revenue growth in the Sportswear and outdoor apparel category was the most significant, thanks to the ongoing support from our major sportswear brand customers. All our sportswear customers, including a recently added internationally renowned sportswear brand, appreciate our capabilities. These sportswear customers consider us to be a long-term strategic partner and demonstrated their commitment with continuing demand for our products.

The Group's revenue for the year ended 31 December 2022 increased compared to the previous year, amounting to US\$2,491 million (2021: US\$2,341 million). The gross profit margin slightly decreased to 18.6% (2021: 19.1%) and net profit for the year was US\$173 million (2021: US\$163 million), representing net margin of 7.0% (2021: 7.0%).

During the year, the Group stepped up its investment in upstream vertical integration to gradually expand its capability to become a vertically integrated garment manufacturer, as set out in the Group's long-term strategic plan. Since the first acquisition of a fabric mill in Vietnam in late 2021, the Group has smoothly integrated the fabric mill operations into its business. The Group formed a strategic team with new talent to plan its long-term fabric business development. Thanks to the knowledge and experience shared by the team, the Group is pleased to announce that it completed the acquisition of the second wholly-owned fabric mill in September 2022 in Bangladesh for the Group's long-term expansion. The Group believes the facilities are strategically positioned to support the long-term fabric needs of its garment factories in the country and will enhance the overall productivity and efficiency of the Group's operations. The Group also acquired a garment factory in Vietnam, next to the fabric mill the Group acquired in 2021. The acquisition was completed in November 2022 and will serve as a pilot project for the Group's future vertically integrated business model on a single site.

The Group continued to invest in capacity expansion projects according to schedule. Capital expenditure for the year ended 31 December 2022 amounted to US\$106 million, mainly to support its expansion in Vietnam and Cambodia. Together with the acquisitions mentioned above, capital investment for the year ended 31 December 2022 amounted to US\$164 million (2021: US\$132 million).

Crystal continued its journey to reach its Net Zero 2050 vision and the interim target commitment in 2021 of reducing aggregate greenhouse gas emissions by 35% by 2030. The Group is planning for its target validation by the Science-based Target Initiative (SBTi). The Group has set individual carbon-reduction targets and action plans with a clear timetable for each factory. During this year, it finished screening and evaluating its Scope 3 emissions, including the indirect emissions that related to its value chain. On the Net Zero strategy front, the Group rolled out a corporate decarbonisation package to standardise the low-carbon setup and enhance energy efficiency in its factory operations. The Group also ramped up the rooftop solar photovoltaic ("PV") projects in its factories to increase the onsite supply of renewable energy. In 2022, the Group installed a total of 4.2MW of solar PV, taking the Group's total PV capacity more than double in 2021 to 7.8MW. Crystal's sustainability efforts are well recognised by various renowned organisations and are highly appreciated by our business partners. In 2022, Crystal won the Distinction Award in the Hong Kong Sustainability Award 2022, granted by The Hong Kong Management Association. Crystal is also recognised as a Pioneering Organisation in Net-Zero Contribution by the Hong Kong Quality Assurance Agency, thanks to its net-zero achievements such as its Net-Zero jeans. These awards recognise Crystal's continuous efforts in achieving excellence in ESG, especially with its recent stepped-up commitment to the Net Zero 2050 vision.

The Board recognises the long-term support of shareholders and has resolved to propose a final dividend of HK11.8 cents per ordinary share (2021: HK9.8 cents). Together with the interim dividend declared and paid, the total dividend per ordinary share for the year ended 31 December 2022 will amount to HK16.8 cents (2021: HK13.8 cents), increase of 22% in total dividends per ordinary share and representing a distribution of 35% of the Group's net profit for the year ended 31 December 2022 (2021: 31%).

FINANCIAL REVIEW

Revenue

The Group's revenue for 2022 compared to 2021, by product category, each expressed as an absolute amount and as a percentage of total revenue was:

	For the year ended 31 December			
	2022		2021	
	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>
Lifestyle wear	697,450	28.0%	734,963	31.4%
Denim	567,723	22.8%	570,962	24.4%
Sportswear and outdoor apparel	556,548	22.3%	426,550	18.2%
Intimate	470,912	18.9%	427,915	18.3%
Sweater	198,333	8.0%	181,042	7.7%
Total Revenue	2,490,966	100.0%	2,341,432	100.0%

With high inventory level kept by our brand customers, order demand from them has turned more conservative since the fourth quarter of 2022. As such, the Group's revenue increased by 6.4% compared to 2021. For Sportswear and outdoor apparel, the Group has been successfully implementing its strategy to lift the revenue contribution from 18.2% in 2021 to 22.3% in 2022.

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

	For the year ended 31 December			
	2022		2021	
	<i>US\$'000</i>	<i>%</i>	<i>US\$'000</i>	<i>%</i>
U.S.	959,853	38.5%	908,180	38.8%
Asia Pacific (<i>note a</i>)	940,759	37.8%	949,656	40.6%
Europe (<i>note b</i>)	449,119	18.0%	386,834	16.5%
Other countries/regions	141,235	5.7%	96,762	4.1%
Total Revenue	2,490,966	100.0%	2,341,432	100.0%

Notes:

- (a) Asia Pacific primarily includes Japan, the PRC and South Korea.
- (b) Europe mainly includes France, Germany, the Netherlands and the U.K..

Gross Profit and Gross Profit Margin

	For the year ended 31 December			
	2022		2021	
	Gross Profit US\$'000	Gross Profit Margin %	Gross Profit US\$'000	Gross Profit Margin %
Lifestyle wear	139,633	20.0%	146,743	20.0%
Denim	92,256	16.3%	104,413	18.3%
Sportswear and outdoor apparel	101,753	18.3%	76,593	18.0%
Intimate	87,261	18.5%	83,895	19.6%
Sweater	42,447	21.4%	35,966	19.9%
Total Gross Profit	463,350	18.6%	447,610	19.1%

Gross profit margin of Lifestyle wear and Sportswear and outdoor apparel remained relatively stable in 2022. For Denim and Intimate, decrease in gross profit margin is mainly due to asset impairment arising from rightsizing of production sites in the PRC. For Sweater, the acquisition of Masterknit Limited provides strong technical support to our Sweater business, leading to the increase in gross profit margin.

Other Expenses and Finance Costs

Selling and distribution expenses remained stable at 1.1% in 2022, compared with 1.0% in 2021.

Our administrative, research and development expenses and other income decreased to 8.6% of revenue in 2022 compared with 9.6% in 2021, reflecting cost-saving initiatives taken by the Group.

The effective borrowing rate for the Group in 2022 ranged from 1.25% to 6.23%, compared with 1.21% to 5.00% in 2021. The Group had no fixed-rate borrowings at 31 December 2022. Finance costs amounted 0.4% of revenue in 2022 compared to 0.3% in 2021.

Net Profit

Despite ongoing COVID-19 pandemic, the Group achieved a net profit of US\$173 million for the year ended 31 December 2022. Net profit as a percentage of revenue maintained at 7.0% for both 2022 and 2021.

Capital Management

The consolidated financial position of the Group remained sound throughout the year. The positive operating cash flow of US\$349 million (2021: US\$190 million) contributed to cash and cash equivalents of US\$455 million at 31 December 2022, compared with US\$401 million at 31 December 2021. Cash and cash equivalents were mainly denominated in HK\$ and US\$. Bank borrowings, mainly denominated in HK\$ and US\$, decreased from US\$168 million at 31 December 2021 to US\$102 million at 31 December 2022. All bank borrowings of US\$102 million at 31 December 2022 contained a repayable-on-demand clause and US\$102 million was repayable within one year.

The Group held a positive net cash position of US\$353 million at 31 December 2022. The gearing ratio (total interest-bearing bank borrowings, less bank balances and cash, divided by total equity) at 31 December 2022 was nil (31 December 2021: nil).

Our conversion cycle have remained healthy and stable at 63 days in 2022, compared to 56 days in 2021. Turnover of trade and bills receivables averaged 39 days in 2022, compared with 42 days throughout in 2021. Inventory turnover averaged 53 days in 2022, compared with 52 days in 2021. Trade and bills payable turnover averaged 29 days in 2022 compared to 38 days in 2021.

Capital expenditure, incurred, in the main for the building, equipping and the upgrading of production facilities, continues to be carefully managed. In 2022, capital expenditure amounted to US\$106 million, compared with US\$90 million in 2021. Capital commitments at 31 December 2022 were US\$49 million compared to US\$55 million at 31 December 2021.

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 2022, US\$488 million (HK\$3,809 million) of the net proceeds has been applied:

- US\$259 million (HK\$2,019 million) to expand manufacturing capacity
- US\$58 million (HK\$457 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 were fully 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 2021 (US\$'million)	Utilised Net Proceeds in 2022 (US\$'million)	Unutilised Net Proceeds at 31 December 2022 (US\$'million)
Additional manufacturing facilities in Vietnam	Lifestyle wear, Sweater and Sportswear and outdoor apparel	88	0	0	0
Additional manufacturing facilities in Vietnam	Denim and Intimate	112	0	0	0
Additional manufacturing facilities in Bangladesh	Lifestyle wear and Sportswear and outdoor apparel	59	0	0	0
Upstream vertical integration in Asia		58	27	27	0
Repayment of Vista related loans		122	0	0	0
Working capital and general corporate purposes		49	0	0	0
Total		488	27	27	0

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 2021 (HK\$'million)	Utilised Net Proceeds in 2022 (HK\$'million)	Unutilised Net Proceeds at 31 December 2022 (HK\$'million)
Additional manufacturing facilities in Vietnam	Lifestyle wear, Sweater and Sportswear and outdoor apparel	686	0	0	0
Additional manufacturing facilities in Vietnam	Denim and Intimate	876	0	0	0
Additional manufacturing facilities in Bangladesh	Lifestyle wear and Sportswear and outdoor apparel	457	0	0	0
Upstream vertical integration in Asia		457	217	217	0
Repayment of Vista related loans		952	0	0	0
Working capital and general corporate purposes		381	0	0	0
Total		3,809	217	217	0

Pledge of Assets

At 31 December 2022, 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 2022.

On 7 September 2022, two wholly-owned subsidiaries of the Group entered into a sale and purchase agreement (the “**HAY Agreement**”) with Mr. LIU, Shuang-Chuan (“**Mr. LIU**”), Mrs. LIU WU, Tzu-Hsuan (“**Mrs. LIU WU**”) and Mr. HUANG, Chun-Chih (“**Mr. HUANG**”), all are independent third parties.

Pursuant to the HAY Agreement, the Group conditionally agreed to acquire and Mr. LIU, Mrs. LIU WU and Mr. HUANG conditionally agreed to sell 50%, 30% and 20%, respectively, of the equity interest in How Are You Textile Industry Limited (“**HAY**”), a company incorporated in Bangladesh with limited liability. HAY is principally engaged in manufacture of garment fabrics and was acquired with the objective of supporting the long term fabric needs of the Group’s garment factories in Bangladesh. The cash consideration of the acquisition was US\$37.0 million. The acquisition was completed on 30 September 2022 and accounted for as an acquisition of business using the acquisition method.

On 31 October 2022, a wholly-owned subsidiary of the Group entered into a sale and purchase agreement (the “**Successor Agreement**”) with Tien Pou International Ltd. (“**Tien Pou**”), a company incorporated in Cayman Islands with limited liability and it is an independent third party.

Pursuant to the Successor Agreement, the Group conditionally agreed to acquire and Tien Pou conditionally agreed to sell all of the equity interest in Successor Limited (“**Successor**”), a company incorporated in Samoa with limited liability. Successor is an investment holding company and owned a factory in Vietnam next to a fabric mill the Group acquired in 2021 and was acquired to serve as a pilot project for the Group’s future vertically integrated business model on a single site. The cash consideration of the acquisition was US\$20.7 million. The acquisition was completed on 30 November 2022 and accounted for as an acquisition of business using the acquisition method.

Significant Investment Held

For the year ended 31 December 2022, the Group held no significant investments.

Material Acquisitions and Future Plans for Major Investment

Further to the acquisition of a fabric mill in Vietnam and Bangladesh in 2021 and 2022 respectively, the Group continues to invest in vertical upstream integration. The Group did not have other future plans for major investments or acquisition for major capital assets at the date of this announcement.

Contingent Liabilities

At 31 December 2022, the Group had no material contingent liability (31 December 2021: 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 73,000 people at 31 December 2022. Total staff costs, including administrative and management staff, for the year ended 31 December 2022 equated to 23.8% of revenue, compared with 24.8% in 2021. 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

After strong consumer demand in the post-pandemic period, high retail inventory and economic uncertainty have continued to weigh on growth in 2023. The destocking from high inventory levels and softening demand since the fourth quarter of 2022 have led to weak order trends and low order visibility. Consumers, feeling the pinch from high inflation, are less inclined to spend on discretionary products and are seeking cheaper alternatives. Moreover, after two years of pandemic lockdown, people return to offices and other pre-pandemic patterns resulting in change of consumer preference, especially in denim market, consumers demand more formal attire, they buy more chinos, cargo pants and other non-denim pants, as such, demand for denim is slowing down and we expect 2023 to be a challenging year.

The acquisition of the fabric mills in Vietnam and Bangladesh demonstrates the Group's dedication to pursuing vertical integration for its long-term development. With the Group's continued investment in upstream vertical integration, capital investment in 2023 is expected to be similar to the level in 2022.

OTHER INFORMATION

Final Dividend

The Board has resolved to propose a final dividend of HK11.8 cents per ordinary share for the year ended 31 December 2022.

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, 7 June 2023. If approved by Shareholders, the proposed final dividend is expected to be paid on Friday, 7 July 2023 to Shareholders whose names appear on the register of members of the Company on Wednesday, 28 June 2023.

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, 7 June 2023. 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, 2 June 2023 to Wednesday, 7 June 2023, 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, 1 June 2023.

For the purpose of ascertaining Shareholders’ entitlement to the proposed final dividend, the register of members of the Company will be closed from Monday, 26 June 2023 to Wednesday, 28 June 2023, 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 Friday, 23 June 2023.

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 2022.

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 2022.

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 2022.

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 2022 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 as approved by the Board on 23 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion 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 2022 together with the external auditor, and was satisfied as to the extent of the work done by the external auditor, the consistent application of the Group's accounting policies, the appropriateness of the financial judgements applied, and 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 2022. In view of their material significance to the Group, the AC continued to pay ongoing attention to the valuation of the 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 2022 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, 23 March 2023

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 Sing Wah and Mr. LO Howard Ching Ho, as executive directors; Mr. WONG Chi Fai and Mr. LEE Kean Phi Mark, as non-executive directors; and Mr. CHANG George Ka Ki, Mr. MAK Wing Sum Alvin, Mr. WONG Siu Kee and Mrs. MAK TANG Pik Yee Agnes, as independent non-executive directors.