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 2023

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2023 amounted to US$2,177 million (2022: US$2,491 million).
- Net profit for the year ended 31 December 2023 amounted to US$164 million (2022: US$173 million).
- Proposed to declare a final dividend of HK13.0 cents (approximately US1.7 cents) per ordinary share. Together with the interim dividend paid, total dividend per ordinary share for the year ended 31 December 2023 would amount to HK18.0 cents (2022: HK16.8 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 2023, together with the comparative figures for the year ended 31 December 2022.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	**2023** **US$'000**	2022 *US$'000*
Revenue	*3*	**2,177,329**	2,490,966
Cost of sales		**(1,759,548)**	(2,027,616)
Gross profit		**417,781**	463,350
Other income, gains or losses		**32,476**	21,563
Reversal of impairment losses previously recognised under expected credit loss model		**2,036**	1,856
Selling and distribution expenses		**(26,924)**	(26,920)
Administrative expenses		**(185,458)**	(202,342)
Research and development expenses		**(32,395)**	(34,358)
Finance costs		**(13,316)**	(10,977)
Share of results of associates		**885**	524
Profit before tax	*4*	**195,085**	212,696
Income tax expense	*5*	**(30,963)**	(39,467)
Profit for the year		**164,122**	173,229
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(11,520)**	(67,825)
Fair value changes on trade receivables at fair value through other comprehensive income		**(1,133)**	–
		(12,653)	(67,825)
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of properties		**4,320**	3,021
Deferred tax expense arising on revaluation of properties		**(1,011)**	(1,336)
		3,309	1,685
Other comprehensive expense for the year		**(9,344)**	(66,140)
Total comprehensive income for the year		**154,778**	107,089

	NOTE	2023 US$'000	2022 US$'000
Profit for the year attributable to:			
Owners of the Company		**163,479**	172,726
Non-controlling interests		**643**	503
		164,122	173,229
Total comprehensive income for the year attributable to:			
Owners of the Company		**154,135**	106,586
Non-controlling interests		**643**	503
		154,778	107,089
Basic earnings per share for profit attributable to the owners of the Company (US cents)	*6*	**5.73**	6.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

	NOTES	**2023** **US$'000**	2022 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**550,590**	582,342
Right-of-use assets		**100,428**	98,316
Deposits paid for acquisition of property, plant and equipment		**20,758**	24,992
Goodwill		**74,941**	74,941
Intangible assets		**71,108**	76,025
Defined benefit assets		**–**	–
Interests in associates		**16,949**	16,376
Loan receivables		**15**	225
Deferred taxation assets		**4,753**	1,185
		839,542	874,402
Current assets			
Inventories		**238,990**	280,202
Right-of-use assets		**1,545**	1,495
Trade, bills and other receivables	*8*	**118,803**	154,467
Trade receivables at fair value through other comprehensive income	*9*	**164,491**	126,701
Amounts due from related companies		**216**	216
Loan receivables		**204**	1,062
Tax recoverable		**3,627**	1,364
Short-term bank deposit		**63,700**	–
Bank balances and cash		**543,444**	455,056
		1,135,020	1,020,563
Total assets		**1,974,562**	1,894,965

	NOTE	2023 US$'000	2022 US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**3,654**	3,654
Reserves		**1,430,788**	1,337,828
Equity attributable to owners of the Company		**1,434,442**	1,341,482
Non-controlling interests		**4,460**	3,817
Total equity		**1,438,902**	1,345,299
Non-current liabilities			
Other payables	*10*	**65**	318
Lease liabilities		**16,831**	20,515
Deferred taxation liabilities		**37,625**	38,977
		54,521	59,810
Current liabilities			
Trade and other payables	*10*	**380,904**	340,285
Lease liabilities		**9,355**	10,310
Amounts due to associates		**8,025**	13,717
Tax liabilities		**19,155**	23,847
Bank borrowings		**63,700**	101,697
		481,139	489,856
Total equity and liabilities		**1,974,562**	1,894,965

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 NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 2023 for the preparation of the Group's consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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 IAS 12 "Income Taxes International Tax Reform – Pillar Two model Rules"

The Group has applied the amendments for the first time in the current year. IAS 12 is amended to add the exception to recognising and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (the "**Pillar Two legislation**"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after 1 January 2023.

The Group has applied the temporary exception immediately upon issue of these amendments and retrospectively, i.e. applying the exception from the date Pillar Two legislation is enacted or substantially enacted. The qualitative and quantitative information about the Group's exposure to Pillar Two income taxes is set out in note 5.

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) Sportswear and outdoor apparel

(iii) Denim

(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 2023

	Lifestyle wear *US$'000*	**Sportswear and outdoor apparel** *US$'000*	**Denim** *US$'000*	**Intimate** *US$'000*	**Sweater** *US$'000*	**Total** *US$'000*
SEGMENT REVENUE						
External sales	**607,618**	**477,521**	**473,181**	**396,359**	**222,650**	**2,177,329**
Segment profit	**116,978**	**96,182**	**76,001**	**81,310**	**47,310**	**417,781**
Other income, gains or losses						**32,476**
Reversal of impairment losses previously recognised under expected credit loss model						**2,036**
Selling and distribution expenses						**(26,924)**
Administrative expenses						**(185,458)**
Research and development expenses						**(32,395)**
Finance costs						**(13,316)**
Share of results of associates						**885**
Profit before tax						**195,085**

Year ended 31 December 2022

	Lifestyle wear *US$'000*	Sportswear and outdoor apparel *US$'000*	Denim *US$'000*	Intimate *US$'000*	Sweater *US$'000*	Total *US$'000*
SEGMENT REVENUE						
External sales	697,450	556,548	567,723	470,912	198,333	2,490,966
Segment profit	139,633	101,753	92,256	87,261	42,447	463,350
Other income, gains or losses						21,563
Reversal of impairment losses previously recognised under expected credit loss model						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						212,696

Segment profit represents the profit earned by each segment without allocation of other income, gains or losses, reversal of impairment losses previously recognised under expected credit loss model, selling and distribution expenses, administrative expenses, research and development expenses, finance costs and share of results of associates. 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	**2023**	2022
		US$'000	*US$'000*
Customer A	Lifestyle wear, Sportswear and outdoor apparel, Denim, Intimate and Sweater	**712,836**	748,592

Geographical information

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

	2023	2022
	US$'000	*US$'000*
Asia Pacific *(note a)*	**877,298**	940,759
United States ("**U.S.**")	**783,468**	959,853
Europe *(note b)*	**386,039**	449,119
Other countries/regions	**130,524**	141,235
	2,177,329	2,490,966

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:

	2023	2022
	US$'000	*US$'000*
Asia Pacific *(note a)*	**818,500**	856,667
Europe *(note b)*	**149**	200
	818,649	856,867

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

	2023	2022
	US$'000	*US$'000*
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**5,692**	6,979
Other staff costs	**459,919**	522,224
Redundancy costs *(note a)*	**863**	10,000
Retirement benefit schemes contributions for other staff	**50,269**	53,940
Total staff costs *(note d)*	**516,743**	593,143
Auditors' remuneration:		
– audit services	**956**	939
– non-audit services	**339**	311
Cost of inventories recognised as expenses (including write-down of inventories amounting to US$15,293,000 (2022: US$14,846,000)) *(note d)*	**1,757,802**	2,013,351
Depreciation of property, plant and equipment *(note d)*	**66,035**	72,671
Depreciation of right-of-use assets *(note d)*	**13,433**	14,930
Amortisation of intangible asset (included in selling and distribution expenses)	**4,917**	4,917
Impairment loss recognised in respect of property, plant and equipment *(note b)*	**2,042**	16,539
Deficit on revaluation of property, plant and equipment	**411**	–
Impairment loss recognised in respect of goodwill *(note e)*	**–**	4,780
Loss on disposals of property, plant and equipment	**124**	1,378
Gain on termination of leases	**(1)**	(703)
Write-down of deposit paid for acquisition of property, plant and equipment	**–**	596
Net loss arising from changes in fair value of derivative financial instruments	**496**	979
Interest income	**(18,271)**	(4,407)
Net foreign exchange loss (gain)	**10,745**	(10,182)
Government grants *(note c)*	**(4,342)**	(4,532)
Finance costs:		
– interest expense on lease liabilities	**1,333**	1,477
– interest on bank borrowings	**4,176**	3,152
– interest on factoring arrangement	**7,807**	6,348

Notes:

(a) During the year ended 31 December 2023, the Group had performed a review of all production sites in the PRC and Bangladesh (2022: the PRC) and had decided a rightsizing plan to improve business performance and profitability. As a result, redundancy cost amounting to US$863,000 (2022: US$10,000,000) was charged to profit or loss.

(b) During the year ended 31 December 2023, as a result of the rightsizing of production sites in the PRC and Bangladesh (2022: the PRC), an impairment loss amounting to approximately US$2,042,000 (2022: US$14,244,000) in respect of property, plant and equipment was recognised and charged to profit or loss, in which US$1,746,000 (2022: US$12,328,000) and US$296,000 (2022: US$1,916,000) were included in the "cost of sales" and "administrative expenses" line items respectively.

In addition, during the year ended 31 December 2022, due to the economic crisis and the uncertainty in the political environment in Sri Lanka, the Group had 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.

(c) During the year ended 31 December 2023, the Group recognised government grants of US$4,342,000 (2022: US$3,599,000) 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 (2023: nil), 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.

5. INCOME TAX EXPENSE

	2023	2022
	US$'000	*US$'000*
The income tax expense comprises:		
Hong Kong Profits Tax		
– current year	**17,744**	16,667
– (over)under-provision in prior years	**(183)**	151
Overseas taxation		
– current year	**18,442**	22,409
– under(over)-provision in prior years	**634**	(3,669)
	36,637	35,558
Deferred taxation	**(5,674)**	3,909
	30,963	39,467

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

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

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

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.

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

The governments of the U.K. and Vietnam, where the group entities are incorporated, enacted the Pillar Two income taxes legislation effective from 1 January 2024 on 11 July 2023 and 29 November 2023 respectively. Under the legislation, the Group will be required to pay top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15% in these jurisdictions. In the opinion of the directors of the Company, the Group is not expected to create future top up tax liabilities in these jurisdictions, which have statutory tax rates of 25% and 20% respectively.

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:

	2023	2022
	US$'000	*US$'000*
Earnings:		
Profit for the year attributable to the owners of the Company for the purpose of calculating basic earnings per share	**163,479**	172,726
	'000	*'000*
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings per share	**2,852,822**	2,852,822

No diluted earnings per share was presented for the years ended 31 December 2023 and 2022 as there were no potential dilutive ordinary shares in issue during both years.

7. DIVIDENDS

	2023	2022
	US$'000	*US$'000*
Final, paid – HK11.8 cents per ordinary share for 2022 (2022: HK9.8 cents per ordinary share for 2021)	**42,988**	35,789
Interim, paid – HK5.0 cents per ordinary share for 2023 (2022: HK5.0 cents per ordinary share for 2022)	**18,187**	18,171
	61,175	53,960

A final dividend of HK13.0 cents (2022: HK11.8 cents) per ordinary share in total of approximately HK$370,867,000 (equivalent to approximately US$47,471,000) (2022: HK$336,633,000 (equivalent to approximately US$42,988,000)), in respect of the year ended 31 December 2023 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

	2023	2022
	US$'000	*US$'000*
Trade receivables – contracts with customers	**88,437**	118,922
Less: allowance for expected credit losses	**(5,408)**	(7,879)
	83,029	111,043
Bills receivable	**413**	1,517
Temporary payments to suppliers	**8,884**	9,486
Other receivables, deposits and prepayments	**26,477**	32,421
	118,803	154,467

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

	2023	2022
	US$'000	*US$'000*
Within 60 days	**80,060**	97,330
61 to 90 days	**2,730**	10,057
91 to 120 days	**202**	2,057
Over 120 days	**37**	1,599
	83,029	111,043

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.

	2023	2022
	US$'000	*US$'000*
Within 60 days	**121,708**	82,389
61 to 90 days	**37,705**	37,795
91 to 120 days	**4,472**	4,179
Over 120 days	**606**	2,338
	164,491	126,701

10. TRADE AND OTHER PAYABLES

	2023	2022
	US$'000	*US$'000*
Trade payables	**125,496**	112,742
Bills payable	**7,781**	5,470
	133,277	118,212
Accrued staff cost	**103,888**	105,201
Other payables	**53,815**	56,019
Other accruals	**89,989**	61,171
Total trade and other payables	**380,969**	340,603

The total is analysed for reporting purposes as:

	2023	2022
	US$'000	*US$'000*
Current	**380,904**	340,285
Non-current	**65**	318
	380,969	340,603

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

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

	2023	2022
	US$'000	*US$'000*
Within 60 days	**120,405**	107,480
61 to 90 days	**10,868**	8,542
91 to 120 days	**588**	332
Over 120 days	**1,416**	1,858
	133,277	118,212

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:

	2023	2022
	US$'000	*US$'000*
Property, plant and equipment	**1,705**	2,247
Inventories	**3,636**	3,988
	5,341	6,235

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

In 2023, the business environment for apparel original equipment manufacturers (OEMs) was full of challenges. The main headwinds in the market were high inventory of brand customers, leading to a significant slowdown in their overall procurement, and relatively weak consumer spending because of high inflation.

The high inventory problem was the result of aggressive order placing by brand customers owing to positive sales forecasts after the end of pandemic and the reopening of countries around the world in 2022. To avoid supply shortages caused by logistics delays, brand customers generally placed orders at a faster rate than actual sales growth. However, with the weaker-than-expected post-pandemic economic rebound in 2023, most brands struggled with rising inventories and a significant hike in the inventory-to-sales ratio. Despite the positive sales figures in 2023, our brand customers adopted a high inventory adjustment strategy and significantly decreased their procurement to streamline inventories.

High inflation, especially in developed countries, squeezed personal consumption spending on discretionary consumer goods, and end consumers tended to select lower-priced alternatives for apparel. Demand from the United States of America ("**USA**") saw the most significant drop. According to data from the International Trade Administration of the USA Department of Commerce, the amount of apparel imported by the USA decreased by 24% year on year.

From the positive perspective, however, both influences were mitigated in the second half of 2023. First, the pace of procurement gradually returned to normal, as most brand customers drove the inventory-to-sales ratio back to a healthy range after launching broad-based promotions. And second, personal incomes increased, and the overall economy became more resilient, which prevented a further decline in consumption.

BUSINESS REVIEW

Owing to the external environment factors mentioned above, the Group's performance basically stabilised in the second half of the year after the drop in the first half. The Group captured solid demand growth in the Chinese market, and sales to Asia Pacific region outperformed all other regions.

The Group's revenue for the year ended 31 December 2023 was US$2,177 million (2022: US$2,491 million).

In contrast to the headwinds in the apparel market, the Sweater segment delivered solid growth during the year. The record-breaking performance of the Sweater segment was attributable to an improved product mix and growing demand from sports brand customers. Transforming from top to bottom products, such as skirts and pants, and from traditional sweaters to performance sweaters suitable for sports, the Sweater segment was on the diversification expansion track. Leveraging the synergy of the Group's sportswear development, the Sweater segment also broadened its customer base, driving further growth in sales.

Proactive cost control and automation advances led to an increase in the Group's gross margin despite lower sales. The gross margin rose to 19.2% (2022: 18.6%).

With wider application of automated equipment, the Group made sustainable improvements in production through increased employee efficiency and streamlined production processes through re-layout of factory. Also, the Sportswear and outdoor apparel segment, which was a key development focus of the Group, benefited from a steep learning curve and achieved decent margin improvement. The Group continued to promote strategic partnerships and started to develop a vertical integration business model with its sports brand customers.

Benefiting from efforts to streamline the cost structure, the Group's net profit margin increased at the same time, rising to 7.5% (2022: 7.0%). Net profit for the year was US$164 million (2022: US$173 million).

As the Group had anticipated a temporary downturn in market demand in 2023, it scaled down investment related to capacity growth of garment production while maintaining sufficient investment in vertical integration development. The Group actively pursued the innovation and upgrade of two fabric factories it acquired, one in Vietnam and one in Bangladesh. Capital expenditure for the year ended 31 December 2023 was lower at US$69 million.

The Group's strong core competitiveness allowed it to effectively withstand market turbulence. The Group maintained stable cash flow and had record high net cash of US$543 million at the end of the year under review. The Group decided to increase the dividend payout ratio, continuing to uphold the practice of sharing its operation results with shareholders. The Group has resolved to propose a final dividend of HK13.0 cents per ordinary share (2022: 11.8 cents). Together with the interim dividend declared and paid, the total dividend per ordinary share for the year ended 31 December 2023 will amount to HK18.0 cents (2022: 16.8 cents), representing a distribution of 40% of the Group's net profit for the year ended 31 December 2023 (2022: 35%).

The Group completed its third Global 5-Year Sustainability Targets in 2022 and initiated a new chapter in 2023, titled the Crystal Sustainability Vision 2030 ("**CSV2030**"), which refers to the United Nations Sustainable Development Goals and takes into account stakeholder concerns and industry traits. Building on the 16-year sustainability foundation, CSV2030 aims to address significant issues related to the apparel industry that have a greater impact on our environment, people and communities. The Group and all its factories have been making a concerted effort to follow the net zero roadmap. The Group plans to implement about 180 short- and long-term conservation measures related to improving energy efficiency. In 2023, the Group installed 4.2 MW of solar photovoltaic ("**PV**") capacity, bringing its total PV capacity to 12MW, triple that in 2021.

The Group's sustainability efforts continued to gain notable recognition in various sustainable domains. The Group won the Distinction Award in the Hong Kong Management Association's Hong Kong Sustainability Award 2023 and received the Grand Award in Excellence in Social Positive Impact in the Hong Kong ESG Reporting Awards 2023, along with commendations for the Best ESG–Mid-cap, the Excellence in Environmental Positive Impact, and the Carbon Neutral Award.

FINANCIAL REVIEW

Revenue

The Group's revenue for 2023 compared to 2022, by product category, each expressed as an absolute amount and as a percentage of total revenue was:

	For the year ended 31 December			
	2023		2022	
	US$'000	*%*	*US$'000*	*%*
Lifestyle wear	**607,618**	**27.9%**	697,450	28.0%
Sportswear and outdoor apparel	**477,521**	**21.9%**	556,548	22.3%
Denim	**473,181**	**21.7%**	567,723	22.8%
Intimate	**396,359**	**18.2%**	470,912	18.9%
Sweater	**222,650**	**10.3%**	198,333	8.0%
Total Revenue	**2,177,329**	**100.0%**	2,490,966	100.0%

Consumer demand remained weak in 2023 amid high interest rate and inflation. As such, the Group's revenue decreased by 12.6% compared to 2022.

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

	For the year ended 31 December			
	2023		2022	
	US$'000	*%*	*US$'000*	*%*
Asia Pacific *(note a)*	**877,298**	**40.3%**	940,759	37.8%
U.S.	**783,468**	**36.0%**	959,853	38.5%
Europe *(note b)*	**386,039**	**17.7%**	449,119	18.0%
Other countries/regions	**130,524**	**6.0%**	141,235	5.7%
Total Revenue	**2,177,329**	**100.0%**	2,490,966	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			
	2023		2022	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	US$'000	*%*	*US$'000*	*%*
Lifestyle wear	**116,978**	**19.3%**	139,633	20.0%
Sportswear and outdoor apparel	**96,182**	**20.1%**	101,753	18.3%
Denim	**76,001**	**16.1%**	92,256	16.3%
Intimate	**81,310**	**20.5%**	87,261	18.5%
Sweater	**47,310**	**21.2%**	42,447	21.4%
Total Gross Profit	**417,781**	**19.2%**	463,350	18.6%

Compared with 2022, the gross profit margin of Lifestyle wear, Denim, and Sweater remained relatively stable in 2023. For Sportswear and outdoor apparel and Intimate, the increase in gross profit margin was mainly due to improvement in production efficiency.

Other Expenses and Finance Costs

Selling and distribution expenses remained stable at 1.2% in 2023, compared with 1.1% in 2022.

Administrative, research and development expenses, and other income remained stable at 8.5% in 2023, compared with 8.6% in 2022.

The effective borrowing rate for the Group in 2023 ranged from 3.12% to 6.96%, compared with 1.25% to 6.23% in 2022. The Group had no fixed-rate borrowings at 31 December 2023. Finance costs amounted 0.6% of revenue in 2023 compared to 0.4% in 2022.

Net Profit

Despite the macroeconomic challenges, the Group achieved a net profit of US$164 million for the year ended 31 December 2023. Net profit as a percentage of revenue increased from 7.0% in 2022 to 7.5% in 2023.

Capital Management

The consolidated financial position of the Group remained sound throughout the year. The positive operating cash flow of US$313 million (2022: US$349 million) contributed to cash and cash equivalents of US$543 million at 31 December 2023, compared with US$455 million at 31 December 2022. Cash and cash equivalents were mainly denominated in HK$ and US$. Bank borrowings, mainly denominated in HK$ and US$, decreased from US$102 million at 31 December 2022 to US$64 million at 31 December 2023. All bank borrowings of US$64 million at 31 December 2023 contained a repayable on-demand clause, and US$64 million was repayable within one year.

The Group held a positive net cash position of US$543 million at 31 December 2023. The gearing ratio (total interest-bearing bank borrowings, less bank balances and cash, divided by total equity) at 31 December 2023 was nil (31 December 2022: nil).

Our conversion cycle have remained healthy and stable at 69 days in 2023, compared to 63 days in 2022. Turnover of trade and bills receivables averaged 41 days in 2023, compared with 39 days throughout in 2022. Inventory turnover averaged 54 days in 2023, compared with 53 days in 2022. Trade and bills payable turnover averaged 26 days in 2023 compared to 29 days in 2022.

Capital expenditure, incurred, in the main for the building, equipping and the upgrading of production facilities, continues to be carefully managed. In 2023, capital expenditure amounted to US$69 million, compared with US$106 million in 2022. Capital commitments at 31 December 2023 were US$34 million compared to US$49 million at 31 December 2022.

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 Company's net proceeds from listing were approximately US$488 million (HK$3,809 million). At 31 December 2022, the net proceeds had been fully utilised in accordance with the allocation set out in the announcement made by the Company on 13 March 2019.

Pledge of Assets

At 31 December 2023, 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

For the year ended 31 December 2023, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures.

Significant Investment Held

For the year ended 31 December 2023, 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 2023, the Group had no material contingent liability (31 December 2022: 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 65,000 people at 31 December 2023. Total staff costs, including administrative and management staff, for the year ended 31 December 2023 equated to 23.7% of revenue, compared with 23.8% in 2022. 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 the annual performance appraisals. The Group also offers rewards or other incentives to motivate the personal growth and career development of its 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, and there are also various types of training courses available to all employees of the Group.

OUTLOOK AND PROSPECTS

Entering the first quarter of 2024, the market continued the positive recovery that started in the second half of 2023. With all segments recording higher shipments year on year, the Group has greater confidence in improving performance in 2024. On the back of a stable macroeconomic environment, the Group's order demand is expected to achieve double-digit growth.

From a market perspective, brand customers are more active in building new product series after going through the destocking phase. The Group is committed to leveraging its comprehensive product line and co-creation business model, especially its advantages in printing technology and expertise in women's wear, to seize the opportunity of a market rebound and increase its market penetration.

The Group's production efficiency is expected to continue to improve. The Group will continue to focus on upgrading and implementing automation to provide more flexibility to meet its customers' orders with more challenging requirements and thus further accelerating the gain of market share. Successful models and experience will be shared among the Group's production hubs in different countries to create sustainable optimisation of production.

The vertically integrated model is also expected to boost the Group's development. With the success of onboarding synthetic fabric products with brand customers, cotton-based fabric products are going through the certification process. Since cost and timely delivery are core concerns for customers, the Group will continue to increase its fabric output and increase the proportion of garments supplied with fabrics from its own mills. The maturity of its own fabric mills and the close cooperation between its fabric and garment factories will greatly facilitate the expansion of the Group's business in lifestyle wear and sportswear.

The Group's capital expenditure is expected to be higher than that in 2023 due to vertical integration expansion, continued automation upgrades and digital transformation. Considering the Group's resilient long-term financial position and growing net cash position, the Board is actively planning to further increase the dividend payout ratio, sharing the growth results of the Group with its valued shareholders.

OTHER INFORMATION

Final Dividend

The Board has resolved to propose a final dividend of HK13.0 cents (approximately US1.7 cents) per ordinary share for the year ended 31 December 2023.

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 Monday, 3 June 2024. If approved by Shareholders, the proposed final dividend is expected to be paid on Friday, 5 July 2024 to Shareholders whose names appear on the register of members of the Company on Tuesday, 25 June 2024.

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 Monday, 3 June 2024. Notice of the AGM will be made available (and sent, where applicable) 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 Wednesday, 29 May 2024 to Monday, 3 June 2024, 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 Tuesday, 28 May 2024.

For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 21 June 2024 to Tuesday, 25 June 2024, 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 Thursday, 20 June 2024.

Corporate Governance Practices

The Group has complied with the Code Provisions set out in Part 2 of the Corporate Governance Code contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the year ended 31 December 2023.

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 C3 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 2023.

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 2023.

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 2023 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 21 March 2024. 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 2023 together with the external auditor satisfying itself as to the extent of work done by the external auditor, the consistent application of the Group's accounting policies, the appropriateness of 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 2023. 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 2023 will be made available (and dispatched, where applicable) 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, 21 March 2024

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.