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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2021 amounted to US\$1,054 million (30 June 2020: US\$921 million).
- Net profit for the six months ended 30 June 2021 amounted to US\$64 million (30 June 2020: US\$28 million).
- The Board has resolved to declare an interim dividend of HK4 cents (approximately US0.5 cent) per ordinary share (30 June 2020: HK3 cents).

INTERIM RESULTS

The board of directors (the “**Board**”) of Crystal International Group Limited (the “**Company**”) is pleased to announce the interim results of the Company and its subsidiaries (together, the “**Group**” or “**Crystal**”) for the six months ended 30 June 2021, together with the comparative figures for the six months ended 30 June 2020. The interim results and condensed consolidated financial statements for the six months ended 30 June 2021 have been reviewed by the independent auditors of the Company.

* *For identification purposes only*

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED 30 JUNE 2021

		Six months ended 30 June	
		2021	2020
		<i>US\$'000</i>	<i>US\$'000</i>
	<i>NOTES</i>	(unaudited)	(unaudited)
Revenue	3	1,054,499	921,014
Cost of sales		<u>(858,758)</u>	<u>(750,509)</u>
Gross profit		195,741	170,505
Other income, gains or losses		9,174	9,621
Impairment losses under expected credit loss model, net of reversal		(7)	(12,961)
Selling and distribution expenses		(15,262)	(11,202)
Administrative expenses		(93,599)	(103,907)
Research and development expenses		(15,230)	(13,724)
Finance costs		(3,891)	(6,304)
Share of results of an associate		<u>340</u>	<u>1,090</u>
Profit before tax	4	77,266	33,118
Income tax expense	5	<u>(13,633)</u>	<u>(5,534)</u>
Profit for the period		<u><u>63,633</u></u>	<u><u>27,584</u></u>
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of foreign operations		3,451	(4,157)
Fair value changes of trade receivables at fair value through other comprehensive income		–	(139)
Impairment loss for trade receivables at fair value through other comprehensive income under expected credit loss model		–	126
		<u>3,451</u>	<u>(4,170)</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement of defined benefit assets		1,436	(673)
Deferred tax (expense) credit arising on defined benefit assets		(371)	50
Surplus on revaluation of properties		5,303	3,372
Deferred tax expense arising on revaluation of properties		<u>(1,335)</u>	<u>(761)</u>
		<u>5,033</u>	<u>1,988</u>
Other comprehensive income (expense) for the period		<u>8,484</u>	<u>(2,182)</u>
Total comprehensive income for the period		<u><u>72,117</u></u>	<u><u>25,402</u></u>

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

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

		At 30 June 2021 <i>US\$'000</i> (unaudited)	At 31 December 2020 <i>US\$'000</i> (audited)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		3,654	3,654
Reserves		<u>1,193,151</u>	<u>1,160,727</u>
Equity attributable to owners		1,196,805	1,164,381
Non-controlling interests		<u>4,277</u>	<u>–</u>
Total equity		<u>1,201,082</u>	<u>1,164,381</u>
Non-current liabilities			
Other payables	<i>10</i>	1,164	1,299
Lease liabilities		22,186	11,902
Deferred taxation		<u>31,864</u>	<u>30,376</u>
		<u>55,214</u>	<u>43,577</u>
Current liabilities			
Trade, bills and other payables	<i>10</i>	380,731	357,632
Lease liabilities		12,822	12,183
Amount due to an associate		6,973	9,578
Dividend payable		39,694	–
Tax liabilities		20,822	16,753
Bank borrowings		<u>174,652</u>	<u>178,408</u>
		<u>635,694</u>	<u>574,554</u>
Total equity and liabilities		<u>1,891,990</u>	<u><u>1,782,512</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. GENERAL AND BASIS OF PREPARATION

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from the application of amendments to the International Financial Reporting Standards (“**IFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020.

Application of amendments to IFRSs

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

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

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

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

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

(b) Segment information

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

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

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

Segment revenue and results

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

Six months ended 30 June 2021 (unaudited)

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

Six months ended 30 June 2020 (unaudited)

	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>	Others <i>US\$'000</i>	Total <i>US\$'000</i>
SEGMENT REVENUE							
External sales	<u>347,760</u>	<u>217,542</u>	<u>142,699</u>	<u>160,574</u>	<u>50,608</u>	<u>1,831</u>	<u>921,014</u>
Segment profit	<u>70,204</u>	<u>35,219</u>	<u>29,711</u>	<u>27,508</u>	<u>7,541</u>	<u>322</u>	170,505
Other income, gains or losses							9,621
Impairment losses under expected credit loss model							(12,961)
Selling and distribution expenses							(11,202)
Administrative expenses							(103,907)
Research and development expenses							(13,724)
Finance costs							(6,304)
Share of results of an associate							<u>1,090</u>
Profit before tax							<u>33,118</u>

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

Segment assets and liabilities

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

Geographical information

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

	Six months ended 30 June	
	2021	2020
	<i>US\$’000</i>	<i>US\$’000</i>
	(unaudited)	(unaudited)
Asia Pacific (<i>note a</i>)	458,896	385,000
United States of America (“U.S.” or “US”)	370,257	333,116
Europe (<i>note b</i>)	176,756	151,859
Other countries/regions	48,590	51,039
	<u>1,054,499</u>	<u>921,014</u>

Notes:

- (a) Asia Pacific primarily includes Hong Kong, Japan and the People’s Republic of China (the “PRC”).
- (b) Europe primarily includes Germany, the Netherlands and the United Kingdom (the “U.K.”).

4. PROFIT BEFORE TAX

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

Notes:

- (a) During the six months ended 30 June 2020, the Group laid off certain staff due to the uncertainty of the global economic environment and the decrease of customers' demand as a result of the outbreak of 2019 Novel Coronavirus (“COVID-19”) pandemic. Consequently, a redundancy cost of US\$6,027,000 had been charged to profit or loss.
- (b) Cost of inventories recognised as expenses include staff costs, depreciation of property, plant and equipment and depreciation of right-of-use assets for production, which amounts are also included in the respective total amounts disclosed separately above.

5. INCOME TAX EXPENSE

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

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

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

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

For the six months ended 30 June 2020, certain subsidiaries incorporated in Macau were registered and regulated by the Decree Law No. 58/99/M applicable to Macao offshore commercial activities and were exempted from Macao Complementary Tax.

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

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

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

6. DIVIDENDS

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

Pursuant to a resolution passed by the Board on 18 August 2021, the Board has resolved to declare an interim dividend of HK4 cents (six months ended 30 June 2020: HK3 cents) per ordinary share, totalling approximately HK\$114,113,000 (equivalent to approximately US\$14,698,000) (six months ended 30 June 2020: approximately US\$11,033,000) estimated on the number of shares in issue at 30 June 2021. This declared dividend is not reflected as a dividend payable in these condensed consolidated financial statements, but will be reflected as an appropriation of reserve for the year ending 31 December 2021.

7. BASIC EARNINGS PER SHARE

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

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

8. TRADE, BILLS AND OTHER RECEIVABLES

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

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

	At 30 June 2021 <i>US\$'000</i> (unaudited)	At 31 December 2020 <i>US\$'000</i> (audited)
Within 60 days	137,544	160,322
61 to 90 days	14,420	13,245
91 to 120 days	1,530	1,037
Over 120 days	<u>114</u>	<u>51</u>
	<u><u>153,608</u></u>	<u><u>174,655</u></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 repayment. The factored trade receivables are derecognised on the basis that the Group has transferred substantially all the risks and rewards to the relevant counterparties. Such trade receivables, that are held for the collection of contractual cash flows and sale of financial assets, have been classified as trade receivables at fair value through other comprehensive income ("FVTOCI").

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

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

10. TRADE, BILLS AND OTHER PAYABLES

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

The total is analysed for reporting purposes as:

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

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

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

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

	At 30 June 2021 <i>US\$'000</i> (unaudited)	At 31 December 2020 <i>US\$'000</i> (audited)
Property, plant and equipment	5,035	4,739
Inventories	10,785	8,910
Trade receivables	443	576
	<u>16,263</u>	<u>14,225</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET OVERVIEW

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

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

In addition, international shipment capacity has been tight since the end of last year when the economic recovery began in the US and Europe. The strong rebound in end-consumer demand together with lean inventory levels at retailers, especially in the US market, have created heavy demand for international shipment containers as well as freight cargo space. Port restrictions due to the pandemic have reduced the ability for shipping companies to swap over crews further limiting their ability to relocate international shipping containers to where they are most needed. All signs point to a continuing surge in shipment costs and air freight charges. The strained shipment situation has caused global brands to place

their orders early in order to fulfill the upcoming seasons' demand. Until the consumer demand gradually eases to a more normal level and the international shipment situation improves, international logistics costs are forecast to remain high for the foreseeable future.

BUSINESS REVIEW

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

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

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

- An impairment loss on trade receivables of approximately US\$13.0 million was recognised in the first half of 2020. No significant impairment loss on trade receivables has been recognised in the first half of 2021; and
- A one-off cost of US\$16.2 million in relation to the suspension of factory operations was recorded in the first half of 2020 but no such cost has been recorded in the first half of 2021.

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

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

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

FINANCIAL REVIEW

Revenue

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

	For the six months ended 30 June			
	2021		2020	
	<i>US\$'000</i>	%	<i>US\$'000</i>	%
Lifestyle wear	358,647	34.0%	347,760	37.8%
Denim	253,415	24.0%	217,542	23.6%
Sportswear and outdoor apparel	202,305	19.2%	142,699	15.5%
Intimate	186,169	17.7%	160,574	17.4%
Sweater	53,963	5.1%	50,608	5.5%
Others ⁽¹⁾	–	0.0%	1,831	0.2%
Total Revenue	<u>1,054,499</u>	<u>100.0%</u>	<u>921,014</u>	<u>100.0%</u>

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

Our order demand has continued to recover since the fourth quarter in 2020, increasing the Group's revenue by 14.5% compared to last year. With the continuing strong demand from two internationally renowned sportswear brand customers, revenue increased significantly in Sportswear and outdoor apparel.

The Group's sales analysed by geographic region based on port of discharge, are given below.

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

(1) Asia Pacific primarily includes Hong Kong, Japan and the PRC.

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

Gross Profit and Gross Profit Margin

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

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

Other Expenses and Finance Costs

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

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

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

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

Net Profit

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

Capital Management

The consolidated financial position of the Group remained sound throughout the first half of 2021. The positive operating cash flow of US\$77 million in the six months (US\$64 million for the same period in 2020) contributed to cash and cash equivalents of US\$420 million at 30 June 2021, compared to US\$383 million at 31 December 2020. Cash and cash equivalents were mainly denominated in HK\$ and US\$. Bank borrowings, mainly denominated in HK\$ and US\$, have decreased slightly from US\$178 million at 31 December 2020 to US\$175 million at 30 June 2021. All bank borrowings of US\$175 million at 30 June 2021 contained a repayable on demand clause and US\$131 million is repayable within one year with US\$44 million being repayable in more than one year but not more than two years.

The Group held a positive net cash position of US\$245 million at 30 June 2021. The gearing ratio (total interest-bearing bank borrowings, less bank balances and cash, divided by total equity) at 30 June 2021 was nil (31 December 2020: nil).

The Group entered into several non-recourse agreements with financial institutions to factor more trade receivables to mitigate credit risk and improve the liquidity position of the Group. As a result, our conversion cycle for the six months ended 30 June 2021, averaged 56 days, compared to 64 days for the whole of 2020. Turnover of trade and bills receivables averaged 41 days in the first half of 2021, compared with 48 days average turnover throughout 2020. Inventory turnover remained stable at 58 days in the first half of 2021 and throughout 2020. Trade and bills payables turnover averaged 43 days in the first half of 2021 compared to 42 days throughout 2020.

Capital expenditure, incurred, in the main, for the building, equipping and upgrading of production facilities, has been carefully managed. For the six months ended 30 June 2021, capital expenditure amounted to US\$42 million, compared to US\$21 million for the same period in 2020. Capital commitments at 30 June 2021 were US\$45 million compared to US\$27 million at 31 December 2020.

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

Use of Proceeds from Initial Public Offering

The net proceeds have been applied in accordance with the allocation set out in the announcement made by the Company on 13 March 2019 as follows:

- US\$259 million (HK\$2,019 million) for capital expenditure to increase manufacturing capacity
- US\$58 million (HK\$457 million) for upstream vertical integration into fabric production in Asia
- US\$122 million (HK\$952 million) for the repayment of Vista Corp Holdings Limited and its subsidiaries (the “**Vista**”) related loans
- US\$49 million (HK\$381 million) for working capital and general corporate purposes

For the period from 3 November 2017 (the listing date of the Company) to 30 June 2021, US\$430 million (HK\$3,352 million) has been applied:

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

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

Use	Segment	Revised Allocation of Net Proceeds as set out in the Announcement dated 13 March 2019 (US\$'million)	Unutilised Net Proceeds at 31 December 2020 (US\$'million)	Utilised Net Proceeds for the six months ended 30 June 2021 (US\$'million)	Unutilised Net Proceeds at 30 June 2021 (US\$'million)	Expected Timeline for Applying Unutilised Net Proceeds at 30 June 2021
Additional manufacturing facilities in Vietnam	Lifestyle wear, Sweater and Sportswear and outdoor apparel	88	19	19	0	
Additional manufacturing facilities in Vietnam	Denim and Intimate	112	5	5	0	
Additional manufacturing facilities in Bangladesh	Lifestyle wear and Sportswear and outdoor apparel	59	0	0	0	
Upstream vertical integration in Asia		58	58	0	58	By 31 December 2023
Repayment of Vista related loans		122	0	0	0	
Working capital and general corporate purposes		49	0	0	0	
Total		488	82	24	58	

Use	Segment	Revised Allocation of Net Proceeds as set out in the Announcement dated 13 March 2019 (HK\$'million)	Unutilised Net Proceeds at 31 December 2020 (HK\$'million)	Utilised Net Proceeds for the six months ended 30 June 2021 (HK\$'million)	Unutilised Net Proceeds at 30 June 2021 (HK\$'million)	Expected Timeline for Applying Unutilised Net Proceeds at 30 June 2021
Additional manufacturing facilities in Vietnam	Lifestyle wear, Sweater and Sportswear and outdoor apparel	686	150	150	0	
Additional manufacturing facilities in Vietnam	Denim and Intimate	876	32	32	0	
Additional manufacturing facilities in Bangladesh	Lifestyle wear and Sportswear and outdoor apparel	457	0	0	0	
Upstream vertical integration in Asia		457	457	0	457	By 31 December 2023
Repayment of Vista related loans		952	0	0	0	
Working capital and general corporate purposes		381	0	0	0	
Total		3,809	639	182	457	

At 30 June 2021, unutilised net proceeds were deposited in licensed banks and these will be applied in accordance with the allocation set out in the announcement made by the Company on 13 March 2019.

Pledge of Assets

At 30 June 2021, assets pledged by the Group are set out in note 11 of the notes to the condensed 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 major acquisition nor disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2021.

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

Pursuant to the Sale and Purchase Agreement, the Group conditionally agreed to acquire and Fashion Fit conditionally agreed to sell approximately 71.9% of the equity interest in Masterknit, a company incorporated in Hong Kong with limited liability. Masterknit is principally engaged in the development and production of flat knitted shoe upper products. The cash consideration of the acquisition is HK\$83,800,000 (equivalent to approximately US\$10,796,000). The acquisition has been completed on 30 June 2021 and accounted for as an acquisition of business using the acquisition method.

Significant Investments Held

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

Contingent Liabilities

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

Event after Reporting Period

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

EMPLOYMENT, TRAINING AND DEVELOPMENT

The Group employed about 74,000 people at 30 June 2021. Total staff costs, including administrative and management staff, in the six months to 30 June 2021 equated to 26.4% of revenue, compared to 26.7% in the same period of 2020. The Group remunerates its staff according to their performance, qualifications and industry practices, and conducts regular reviews of its remuneration policy. Employees may receive discretionary bonuses and monetary rewards based on their ratings in annual performance appraisals. The

Group also offers rewards or other incentives to motivate the personal growth and career development of employees, such as on-going opportunities for training to enhance their technical and product knowledge as well as their knowledge of industry quality standards. Each new employee of the Group is required to attend an introductory course, while there are also various types of training courses available to all employees of the Group.

SUSTAINABILITY

Vision and Strategy

Sustainability is a strategic imperative for our businesses. It is also the key to creating long-term environmental and social values for our stakeholders. Our sustainability framework, consisting of five pillars: environment, innovation, product integrity, employee care and community engagement, serves as a guiding principle when planning sustainability strategies.

Our sustainability framework and initiatives align with the United Nations Sustainable Development Goals⁽¹⁾ (“SDGs”) to tackle global challenges. Selected by the World Benchmarking Alliance as a keystone company of SDG2000: the most influential 2,000 companies for a more sustainable future last year, we are determined to scale up our strategic planning with the SDGs.

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

Environmental Stewardship

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

In the face of the climate challenge, we have applied low carbon manufacturing to our operations, and have progressively expanded the adoption of renewable energy, in particular rooftop solar photovoltaic systems. Our product carbon intensity has been reduced by 35% since 2007, which reflects the effectiveness of the factories’ energy-saving measures. To escalate our commitment, we have signed the Fashion Industry Charter for Climate Action⁽²⁾. We are now focusing on the long-term carbon reduction goal – reducing 30% aggregate carbon emissions by 2030, with holistic planning of our decarbonisation

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

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

strategy. To improve the effective management of climate-related risks, we have commenced a Task Force on Climate-related Financial Disclosures (“TCFD”) study to benchmark our existing practices against TCFD recommendations.

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

Innovation and Digitalisation

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

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

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

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

Employee Care and Community Engagement

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

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

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

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

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

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

OUTLOOK AND PROSPECTS

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

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Interim Dividend

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

The interim dividend is expected to be paid on Thursday, 16 September 2021.

Closure of Register of Members

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Friday, 3 September 2021 to Tuesday, 7 September 2021 both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Thursday, 2 September 2021.

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

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

Public Float

At the date of this announcement, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules and as agreed with the Stock Exchange throughout the six months ended 30 June 2021 and up to the date of this announcement.

Corporate Governance Practices

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

Model Code for Securities Transactions by Directors

The Company has adopted as its code of conduct regarding directors' securities transactions, the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix 10 to the Listing Rules. Upon specific enquiry being made of all Directors, each of them has confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2021 and up to the date of this announcement.

The Group has established written guidelines for relevant employees with no less exacting terms than the Model Code in respect of securities transactions. No incident of non-compliance with the written guidelines was noted throughout the six months ended 30 June 2021 and up to the date of this announcement.

Audit Committee

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

The primary duties of the Audit Committee continue to be to review the adequacy of the financial reporting and internal control systems of the Group, oversee the external and internal audit processes, review the Group's management of its existing and potential risks, review connected party transactions and perform other duties and responsibilities as delegated by the Board.

For the six months ended 30 June 2021, the Audit Committee met the external auditors to discuss their findings during the audit of the consolidated financial statements for the year ended 31 December 2020. Nothing of a significant nature regarding internal controls and risk management was reported. The Audit Committee reviewed the actions taken by management to address the findings and was satisfied the actions were appropriate and effective. In respect of the work of the Internal Audit in examining the application of policies and internal controls in specific locations within the Group, the Audit Committee

was again satisfied with the high quality of the work undertaken. Nothing of a material nature was revealed and appropriate remedial measures to strengthen compliance further are being implemented.

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

The Audit Committee has reviewed, together with the management of the Group, the accounting principles and policies adopted by the Group and discussed with them the unaudited condensed consolidated financial statements and interim report of the Group for the six months ended 30 June 2021, recommending their adoption by the Board.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have been reviewed by the independent auditors of the Company, Messrs. Deloitte Touche Tohmatsu.

Risk Management and Internal Control Systems

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

The Board oversight of the Company's risk management and internal control systems, both directly and via the Audit Committee, is on-going. In this regard, the Audit Committee reviewed the progress of the Company's cyber security initiatives, their roll out within the Group and statistics of cyber attacks, their nature and location. The Audit Committee was satisfied with the defences in place and remedial actions taken. It has encouraged the testing of the cyber defences in place by a competent third party and a programme of tests has been implemented with weaknesses identified by the tests remedied satisfactorily. Among other important risks examined, succession management and business compliance were reviewed. A significant, long term programme of investment and strengthening has been commenced regarding succession management. Business compliance is a complex area and the Audit Committee is satisfied with the steps taken so far. In addition, the Audit Committee recommended to the board the creation of an internal audit team in Vietnam to strengthen the Group's oversight of its Vietnamese operations. The board endorsed the recommendation and preliminary work to create such a team has started.

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

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

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

Connected Party Transactions

The Audit Committee continued during the half year its periodic reviews of the approved connected party transactions and expenditure against, the caps on their annual values. It was satisfied that no cap would be exceeded and, in cases where amounts recorded were significantly below the proportionate amount of the relevant cap, there was a reasonable explanation for the situation.

Publication of Information on the Website of the Stock Exchange

This announcement is published on the website of the Stock Exchange at <http://www.hkexnews.hk> and the website of the Company at <http://www.crystalgroup.com>. The 2021 interim report of the Company for the six months ended 30 June 2021 will be dispatched to shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Crystal International Group Limited
LO Lok Fung Kenneth
Chairman

Hong Kong, 18 August 2021

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