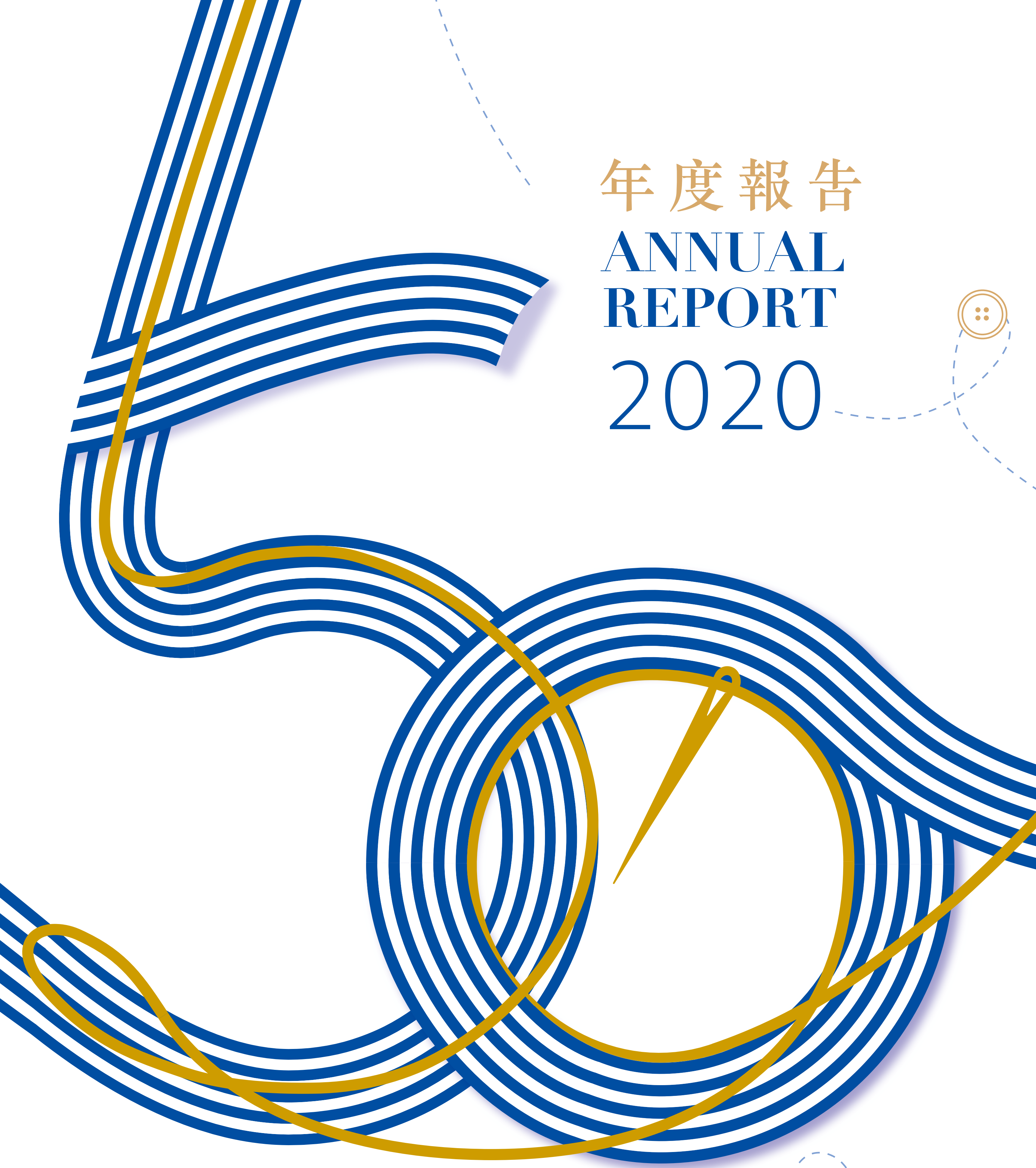
年度報告
ANNUAL REPORT 2020



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

(Incorporated in Bermuda with limited liability and registered by way of continuation in the Cayman Islands)
(於百慕達註冊成立的有限公司並以存續方式於開曼群島註冊)

Stock code 股份代號: 2232

* For identification purposes only 僅供識別

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Corporate Information

BOARD OF DIRECTORS

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

Independent Non-executive Directors
Mr. GRIFFITHS Anthony Nigel Clifton
Mr. TSE Man Bun Benny
Mr. CHANG George Ka Ki
Mr. MAK Wing Sum Alvin

BOARD COMMITTEES

Audit Committee
Mr. GRIFFITHS Anthony Nigel Clifton *(Chairman)*
Mr. TSE Man Bun Benny
Mr. CHANG George Ka Ki

Remuneration Committee
Mr. MAK Wing Sum Alvin *(Chairman)*
Mr. TSE Man Bun Benny
Mr. CHANG George Ka Ki
Mr. LO Lok Fung Kenneth

Nomination Committee
Mr. LO Lok Fung Kenneth *(Chairman)*
Mr. GRIFFITHS Anthony Nigel Clifton
Mr. MAK Wing Sum Alvin

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

AUTHORISED REPRESENTATIVES

Mr. LO Ching Leung Andrew
Mr. LI Wai Kwan

COMPANY SECRETARY

Mr. LI Wai Kwan

AUDITOR

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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71 How Ming Street
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Kowloon, Hong Kong

HEADQUARTERS

Crystal Industrial Building
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Kwun Tong
Kowloon, Hong Kong

REGISTERED OFFICE

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Cayman Islands

HONG KONG SHARE REGISTRAR

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Fax: 852 2865 0990
Email: hkinfo@computershare.com.hk

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Cayman Islands

LEGAL ADVISERS

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

COMPANY WEBSITE

http://www.crystalgroup.com

INVESTOR RELATIONS

ir@crystalgroup.com

STOCK CODE

2232

Financial Highlights

	For the year ended 31 December	
	2020	2019
Key Financial Information (US$'000)		
Revenue	**1,985,332**	2,427,723
Cost of Sales	**1,599,466**	1,965,033
Gross Profit	**385,866**	462,690
Profit for the year	**108,085**	151,904
Earnings per share (US cents)		
– basic	**3.79**	5.33
– diluted	**3.79**	5.33
Key Financial Ratios		
Gross profit margin (%)	**19.4%**	19.1%
Net profit margin (%)	**5.4%**	6.3%

	At 31 December	
	2020	2019
Key Financial Information (US$'000)		
Total assets	**1,782,512**	1,816,168
Total liabilities	**618,131**	728,150
Total equity	**1,164,381**	1,088,018
Net debt (note a)	**–**	10,601
Cash and cash equivalents	**383,427**	260,211
Key Financial Ratios		
Net debt to equity ratio (%) (note b)	**–**	1.0%
Cash conversion cycle (days) (note c)	**64**	60

Notes:

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

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

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

Chairman's Statement

On behalf of the Board of Crystal International Group Limited, I am pleased to present the annual results of the Group, for the year ended 31 December 2020.

2020 was a challenging year for everyone and for all businesses in the world. I, as a representative of the Group, wish to express heartfelt thanks to all our staff for going the extra mile and for managing the COVID-19 pandemic. Since the outbreak of the pandemic, the Group has demonstrated their strong commitment, determination and leadership during such difficult times.

In recognition of our 50th anniversary, we are mindful that the Group has transformed from a husband-and-wife business with a few sewing machines and knitting looms producing sweaters, into a professionally managed corporation with a strong team of around 70,000 members, making encouraging progress in every aspect of our business. To celebrate the Group's semi-centenary and as a token of our gratitude to our shareholders for their support, the Board wishes to propose a special dividend of HK5.0 cents per ordinary share.

Being one of our core values, sustainability is embedded in our culture and we, as the Group, are committed to upholding it for the present and the future. In recognition of our ongoing efforts in sustainability, the Group was honoured with several renowned awards during 2020, including the EDGE (Excellence in Design for Greater Efficiencies); a Preliminary Certificate for our newly built Vietnam factory, and the award for Excellence of the Year Innovation & Sustainability Lifestyle Wear Factory Asia Pacific, at the Le Fonti Awards.

The Group was also selected as one of the 2000 most influential companies working for a sustainable future by The World Benchmarking Alliance. The Alliance benchmarks the impact on the United Nations Sustainable Development Goals (SDGs) and recognises the companies having the most influence and capability to move to a more sustainable future. These awards are recognition of our continuous effort in innovation and sustainability, over the Group's 50 years of history. These awards illustrate how we have transformed globally into one of the most sustainable companies in the apparel industry today and we will continue to deliver a positive future for our communities and their people, in the next 50 years.

Looking forward, the Group will continue applying our core values that enable us to sustain our competitiveness in the market, despite the unforeseen global economic challenges and hardship.

Mr. TSE Man Bun Benny is retiring at the Annual General Meeting on 2 June 2021 and will not be seeking re-election. Personally and on behalf of the Board, I would like to thank him for his committed service to the Group over the past 15 years and his many valuable contributions. We wish him well in his retirement.

Finally, I would like to take this opportunity to express my sincere gratitude to our shareholders, customers and business partners for their trust and support, and to our management and staff members for their diligence, efforts and contribution to the continuing success of the Group.

Lo Lok Fung Kenneth
Chairman of the Board
Hong Kong, 18 March 2021

Management Discussion and Analysis

MARKET OVERVIEW

Since the beginning of 2020, the outbreak of the COVID-19 pandemic has severely and adversely impacted the world's economic activities. At the start of the year, the COVID-19 outbreak was impacting the PRC and a few Asian markets such as Japan and Korea during the first quarter of 2020. Subsequently, the continuing spread of COVID-19 compelled governments in Europe and the US to announce national lockdowns in the second quarter of 2020. Inevitably, lockdowns have hampered the supply chain and retail markets in the apparel industry, with manufacturers forced to shut down factories and with retailers and malls having to close stores and outlets temporarily. This situation led to increased levels of inventory at retailers, as the demand for textile and apparel products largely came to a halt in the major apparel markets, such as the US and the PRC, during this period.

In the second half of the year, demand for apparel products has seen a sequential improvement, where the markets have gradually reopened from the national lockdowns. With retail shops resuming operations, though with shortened operating hours, channel inventories at various retailers and brands have gradually been digested and have reached a healthier level than even before the pandemic during the third quarter and heading into the fourth quarter. Throughout the period, online sales across all retail brands have seen exceptional growth, as consumer behaviour has changed under the "new normal". People are spending more time at home, due to work-from-home arrangements and travel restrictions, amid the lockdowns. These consumers are now demanding more comfort/casual wear compared to traditional work wear. In addition, end-consumer demand is also influenced by the public consciousness of adopting a healthier lifestyle requiring more frequent workouts. These changes have accelerated the convergence between fashion and sportswear, creating a favourable situation for the development of athleisure wear.

Whilst every business has been hit hard by the pandemic, large-scale manufacturers are comparably more sustainable than smaller players in view of their stronger financial health, flexibility in cash flow management and the capability to respond more quickly to the rebounding customer order demand. Branded customers have paid more attention to their supply chain management during the pandemic than usual, and have been working more closely with their key vendors in every aspect ranging from conducting assessment of their financial strength to collaboratively securing container space for order shipment in order to minimise supply chain disruption. As such, we believe that the pandemic, though having a negative impact on profitability in the short term, will further accelerate supply chain consolidation and create opportunities for larger players in the longer term.

BUSINESS REVIEW

The Group's operations were negatively impacted by the pandemic. Initially in the first half of the year, the outbreak affected some of our factory operations by requiring their suspension in several of our production bases, as mandated by local governments. In addition to operation suspensions at our own factories, demand across the whole of the apparel industry was weak in the first eight months of the year, due to the imposition of control measures by various governments, which led to the piling up of channel inventories. Lockdowns and restrictions on public life in many cities of major apparel markets, such as Japan, Korea, Europe and the US, have caused several of our customers' retail shops either to close permanently or to be temporarily closed for months. The closure of the stores of our branded customers resulted in a sharp decrease in overall order demand for our products and some order cancellations, especially in April and May. A temporary extension of payment terms was granted to some of our key customers upon their request, as the closure of retail stores led to deteriorating cash flow positions of some branded customers during this period. In particular, one of our customers, Ascena Retail Group, Inc. and certain of its subsidiaries ("**Ascena**"), filed voluntary petitions under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia, the USA (the "**Petition**") to implement a financial restructuring plan on 23 July 2020. Our assessment of the overall default risks of our outstanding trade receivables has resulted in a degree of loss on trade receivables.

Operating in a challenging business environment this year, the Group has taken the opportunity to enhance its production efficiency across our multi-country manufacturing platform. The Group has optimised its overheads in some of our factories and streamlined certain management structures to improve the overall management efficiency in various divisions. While there is a one-off cost associated with the restructuring, it is believed that this will bring longer-term benefits to the overall operational efficiency of the Group.

Order demand rebounded meaningfully in the fourth quarter as a result of healthier inventory levels at retailers and prudent order placements by our branded customers in previous quarters. Together with the continuing strong demand from the two internationally renowned sportswear branded customers that the Group recently started to supply, we have been actively expanding capacities at our major factories to support this strong order growth.

The above factors have resulted in the Group's revenue for the year ended 31 December 2020 declining to US$1,985 million (2019: US$2,428 million) and the gross profit margin improving slightly to 19.4% (2019: 19.1%). Net profit for the year ended 31 December 2020 was US$108 million (2019: US$152 million), representing a net margin of 5.4% (2019: 6.3%).

In view of the outbreak situation in different countries, the Group has adjusted its pace of expansion and delayed some of its capital spending. Consequently, capital expenditure for the year ended 31 December 2020 was reduced, amounting to US$54 million (2019: US$111 million). Together with a healthy operating cash flow, this action has resulted in the Group achieving a net cash position at 31 December 2020 (2019: net debt to equity ratio of 1.0%).

The Board recognises the long-term support of our shareholders and has resolved to propose a final dividend of HK5.8 cents per ordinary share. Taken together with the interim dividend of HK3.0 cents per ordinary share, this represents a distribution of 30% of the Group's net profit for the year.

2020 marks the 50th anniversary of the Group's foundation in 1970. In view of the strong cash position for the Group at 31 December 2020, the Board wishes to propose a special dividend of HK5.0 cents per ordinary share in celebration of the Group's semicentenary. If approved by shareholders, the total dividend per ordinary share for the year ended 31 December 2020 would amount to HK13.8 cents (2019: HK12.5 cents).

FINANCIAL REVIEW

Revenue

The following table gives the Group's revenue for 2020 compared with 2019, by product category, each expressed as an absolute amount and as a percentage of total revenue.

	For the year ended 31 December			
	2020		2019	
	US$'000	**%**	US$'000	%
Lifestyle wear	**702,921**	**35.4%**	941,618	38.8%
Denim	**470,068**	**23.7%**	583,342	24.0%
Intimate	**326,023**	**16.4%**	427,664	17.6%
Sportswear and outdoor apparel	**304,932**	**15.3%**	244,189	10.1%
Sweater	**177,916**	**9.0%**	223,201	9.2%
Others (note)	**3,472**	**0.2%**	7,709	0.3%
Total Revenue	**1,985,332**	**100.0%**	2,427,723	100.0%

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

The Group's revenue declined compared to the previous year due to occurrence of the pandemic. Certain of our customers have had to restructure their operations, including the closure of a significant number of stores for months either temporarily or permanently, resulting in a decrease in overall order demand for our products. Increases in revenue for Sportswear and outdoor apparel arose mainly from new customers.

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

	For the year ended 31 December			
	2020		2019	
	US$'000	**%**	US$'000	%
Asia Pacific (note 1)	**865,968**	**43.6%**	968,345	39.9%
United States	**692,556**	**34.9%**	905,674	37.3%
Europe (note 2)	**328,555**	**16.6%**	440,932	18.2%
Other countries/regions	**98,253**	**4.9%**	112,772	4.6%
Total Revenue	**1,985,332**	**100.0%**	2,427,723	100.0%

Notes:

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

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

The Group's sales, analysed by principal country of production, are given below.

	For the year ended 31 December			
	2020		2019	
	US$'000	**%**	US$'000	%
Non-PRC	**1,587,326**	**80.0%**	1,805,207	74.4%
PRC	**398,006**	**20.0%**	622,516	25.6%
Total Revenue	**1,985,332**	**100.0%**	2,427,723	100.0%

The analysis reflects the effect of our policy of migrating production to lower cost countries.

Cost of Sales, Gross Profit and Gross Profit Margin

	For the year ended 31 December			
	2020		2019	
	Gross Profit US$'000	**Gross Profit Margin %**	Gross Profit US$'000	Gross Profit Margin %
Lifestyle wear	**146,318**	**20.8%**	185,520	19.7%
Denim	**81,865**	**17.4%**	101,024	17.3%
Intimate	**64,209**	**19.7%**	88,384	20.7%
Sportswear and outdoor apparel	**60,541**	**19.9%**	45,812	18.8%
Sweater	**31,391**	**17.6%**	36,304	16.3%
Others	**1,542**	**44.4%**	5,646	73.2%
Total Gross Profit	**385,866**	**19.4%**	462,690	19.1%

For Lifestyle wear, the gross profit margin increased due to a change in customer mix. The gross profit margin of Denim remained stable in 2020. The decline in gross profit margin for Intimate is mainly due to changes in product mix. The gross profit margin of Sportswear and outdoor apparel increased due to our reengineered customer portfolio. For Sweater, the increase in gross profit margin resulted from the revision of production capacity.

Other Expenses and Finance Costs

Selling and distribution expenses have been tightly controlled during the year and amounted to 0.9% of revenue compared with 1.1% in 2019.

As a result of the pandemic, our customers have generally experienced a deterioration in their financial position, exemplified by Ascena filing its Petition as discussed in more detail on page 5. With the increase in potential default risk by our customers, we recognised an impairment loss on trade receivables of approximately US$11.9 million in 2020.

Our administrative expenses increased to 10.5% of revenue in 2020 compared with 9.3% in 2019. The public health measures put in place in many countries to prevent the spread of the pandemic have disrupted our production, causing us to suspend some of our factory operations incurring one-off costs of US$16.2 million.

In addition, the Group streamlined of our management structure during 2020, subsidiaries in our CMUK division are restructuring, resulting in one-off costs of US$13.2 million.

The effective interest rates of the Group's variable-rate borrowings in 2020 ranged from 1.25% to 5.00% compared with 2.30% to 5.20% in 2019. The Group had no fixed-rate borrowings at 31 December 2020. Finance costs amounted to 0.5% of revenue in 2020 compared with 0.7% in 2019.

Net Profit

Given the outbreak of COVID-19 globally, net profit for the year ended 31 December 2020 decreased to US$108 million compared with US$152 million in 2019. Net profit declined as a percentage of revenue from 6.3% in 2019 to 5.4% in 2020.

Capital Management

The consolidated financial position of the Group remained sound throughout the year. Positive operating cash flow of US$324 million (2019: US$313 million) contributed to cash and cash equivalents of US$383 million at 31 December 2020, compared with US$260 million at 31 December 2019. Cash and cash equivalents were mainly denominated in HK$ and US$. Bank borrowings, mainly denominated in HK$ and US$, have been reduced from US$277 million at 31 December 2019 to US$178 million at 31 December 2020. All bank borrowings of US$178 million at 31 December 2020 contained a repayable on demand clause, of which US$122 million are to be repayable within one year and US$56 million in more than one year but not more than two years.

The Group held a positive net cash position of US$205 million at 31 December 2020. The gearing ratio (total interest-bearing bank borrowings, less bank balances and cash, divided by total equity) at 31 December 2020 was nil (31 December 2019: 1%).

The pandemic required the Group to extend customers' payment terms. As a result, our conversion cycle for the year ended 31 December 2020, averaged 64 days, compared to 60 days for the whole of 2019. Turnover of trade and bills receivables averaged 48 days in 2020, compared with 42 days average turnover throughout 2019. Inventory turnover averaged 58 days in 2020, compared with 51 days in 2019. Trade and bills payables turnover averaged 42 days in 2020 compared with 33 days in 2019.

Capital expenditure incurred, in the main, for the building, equipping and upgrading of production facilities, has been carefully managed. In 2020, capital expenditure amounted to US$54 million, compared with US$111 million in 2019. Capital commitments at 31 December 2020 were US$27 million compared with US$42 million at 31 December 2019.

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 the 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 related loans
- US$49 million (HK$381 million) for working capital and general corporate purposes

For the period from 3 November 2017 (the listing date of the Company) to 31 December 2020, US$406 million (HK$3,170 million) of the net proceeds have been applied:

- US$235 million (HK$1,837 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 13 March 2019 (US$'million)	Unutilised Net Proceeds at 31 December 2019 (US$'million)	Utilised Net Proceeds in 2020 (US$'million)	Unutilised Net Proceeds at 31 December 2020 (US$'million)	Expected Timeline for Applying Unutilised Net Proceeds at 31 December 2020
Additional manufacturing facilities in Vietnam	Lifestyle wear, Sweater and Sportswear and outdoor apparel	88	43	24	19	By 31 December 2021
Additional manufacturing facilities in Vietnam	Denim and Intimate	112	18	13	5	By 31 December 2021
Additional manufacturing facilities in Bangladesh	Lifestyle wear and Sportswear and outdoor apparel	59	2	2	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	121	39	82	

Use	Segment	Revised Allocation of Net Proceeds as set out in the Announcement 13 March 2019 (HK$'million)	Unutilised Net Proceeds at 31 December 2019 (HK$'million)	Utilised Net Proceeds in 2020 (HK$'million)	Unutilised Net Proceeds at 31 December 2020 (HK$'million)	Expected Timeline for Applying Unutilised Net Proceeds at 31 December 2020
Additional manufacturing facilities in Vietnam	Lifestyle wear, Sweater and Sportswear and outdoor apparel	686	333	183	150	By 31 December 2021
Additional manufacturing facilities in Vietnam	Denim and Intimate	876	136	104	32	By 31 December 2021
Additional manufacturing facilities in Bangladesh	Lifestyle wear and Sportswear and outdoor apparel	457	11	11	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	937	298	639	

In view of the global pandemic situation, the Group has adjusted its pace of expansion and, in particular, has delayed the expansion plans in Asia for one to two years. At 31 December 2020, 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. The Directors intend to utilise such net proceeds in the manner disclosed in the announcement made by the Company on 13 March 2019.

Pledge of Assets

At 31 December 2020, pledges of assets of the Group are set out in note 35 to the consolidated financial statements.

Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For the year ended 31 December 2020, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures.

Significant Investments Held

For the year ended 31 December 2020, the Group held no significant investments.

Contingent Liabilities

At 31 December 2020, the Group had no material contingent liability (2019: Nil).

Event after Reporting Period

The Group operates a funded defined benefit scheme for qualifying employees of its subsidiaries in the U.K. that has been closed to new members since 1999. During the current year, the subsidiaries in the U.K. are under restructuring and the Group intends to secure all rights and obligations of the scheme through transfer of the scheme's responsibilities to a U.K. regulated insurance company ("**Buy-out**"). An intention letter of this potential Buy-out has been signed by the Group subsequent to the end of the reporting period. Based on the latest available information to the Group, the Directors estimate the cost for this potential Buy-out at approximately US$15 million and this amount will be recognised in profit or loss upon completion of this potential Buy-out.

Employment, Training and Development

The Group employed about 70,000 people at 31 December 2020. Total staff costs, including administrative and management staff, for the year ended 31 December 2020 equated to 25.0% of revenue, compared with 24.7% in 2019. The Group remunerates its staff according to their performance, qualifications and industry practices, and conducts regular reviews of its remuneration policy. Employees may receive discretionary bonuses and monetary rewards based on their ratings in annual performance appraisals. The Group also offers rewards or other incentives to motivate the personal growth and career development of employees, such as ongoing opportunities for training to enhance their technical and product knowledge, as well as their knowledge of industry quality standards. Each new employee of the Group is required to attend an introductory course, while there are also various types of training courses available to all employees of the Group.

OUTLOOK AND PROSPECTS

While the current pandemic situation is still dynamic, the market has been anticipating vaccines to be available for mass injection very soon. With the availability of mass injections of vaccines, it is hoped that the pandemic situation will be brought under control and for the market to gradually resume its normal activities. Given the current healthy inventory level at various retailers, ordering sentiment across our branded customers has been positive in recent months.

The Group's major customers continue to see a strong sales rebound, especially among our sportswear customers. In addition to the end-consumer market trend towards athleisure products that benefits sales of casual and sportswear brands, the two recently added sportswear customers also contributed strong support to the Group's growth. Sportswear and outdoor apparel will continue to be the bright spot and growth driver for the Group in the near term.

The Group will continue to invest in new capacity to support the strong demand from our key customers. Capital expenditure for the coming year is expected to return to its level in 2019. The majority of capital expenditure will be invested in new projects to support our casual and sports customers. Apart from investing in garment facilities, the Group will continue its plan to pursue vertical integration for the longer-term development for the Group.

Directors and Senior Management

DIRECTORS

At 18 March 2021, the Board consisted of 10 directors, comprising 6 executive directors and 4 independent non-executive directors. The functions and duties of the Board include convening general meetings, implementing the resolutions passed at general meetings, determining strategy, business and investment plans, formulating the annual financial budget, reviewing and approving financial accounts, and formulating proposals for profit distributions as well as exercising other powers, functions and duties, as conferred by the Articles of Association.

Executive Directors

Mr. Lo Lok Fung Kenneth (羅樂風), aged 82, is the Chairman of the Board and an executive director. He is also the chairman of the Nomination Committee of the Company and a member of the Remuneration Committee. He co-founded the Group with Mrs. Yvonne Lo in 1970. Mr. Kenneth Lo has been a director since its establishment in January 1993. With over 60 years of experience in the apparel manufacturing industry, he has been instrumental in developing the Group into a world leader. Mr. Kenneth Lo stepped down as the Chief Executive Officer in December 2007. As Chairman, he has assumed the role of strategic thinker and change driver – he devotes his time to anticipating and identifying opportunities and risks in the industry and how they may have an impact on the Group's business. In addition, Mr. Kenneth Lo is committed to developing and driving the corporate culture, business ethics and sustainability, which are memorialised in his book "For The Greater Good – Becoming The World's No. 1 Apparel Maker", published in 2016.

Mr. Kenneth Lo received the Industrialist of the Year Award of the Federation of Hong Kong Industries in 2012 for his contribution to industrial development and to society. He won the Ernst Young Entrepreneur of the Year China Award (Hong Kong/Macau Region) in 2014 and the DHL/SCMP Hong Kong Business Award (Owner-Operator Category) in 2016.

Mr. Kenneth Lo is currently an honorary fellow of the Vocational Training Council in Hong Kong, as well as a guest professor at Yunnan University (雲南大學). He is also the honorary chairman of the CEO Club of The Hong Kong Polytechnic University, a fellow of the Hong Kong Management Association, the honorary president of the Hong Kong Woollen and Synthetic Knitting Manufacturers' Association, Limited, as well as a general committee member of the Textile Council of Hong Kong. In addition, Mr. Kenneth Lo involves in charity work and environmental protection. He has been a director and chairman of the Windshield Charitable Foundation (宏施慈善基金) since November 2001, and a director of World Green Organisation Limited since May 2013 and an honorary advisor to the Agency for Volunteer Service since September 2018.

Mr. Kenneth Lo is the husband of Mrs. Yvonne Lo (the Vice Chairman and an executive director), and father of Mr. Andrew Lo (an executive director and the Chief Executive Officer) and Mr. Howard Lo (an executive director and a senior vice president).

Mrs. Lo Choy Yuk Ching Yvonne (羅蔡玉清), aged 76, is the Vice Chairman of the Board and an executive director. She co-founded the Group with Mr. Kenneth Lo in 1970. She has been a director since its establishment in January 1993. Since the Group's establishment, Mrs. Yvonne Lo has overseen the finance and administrative functions and has over 50 years of business management experience.

Apart from business management, Mrs. Yvonne Lo has also devoted herself to charity and social work. She established the Yuk Ching Charity Trust (玉清慈善基金) (now known as The Incorporated Trustees of Yuk Ching Charity Trust), which aims to help the education of students by, among other activities, providing financial support, and has been its donor and trustee since October 2004, and chairman since 2005. Since February 2017, Mrs. Yvonne Lo has been the Honorary Chairperson of The Hong Kong Federation of Women (香港各界婦女聯合協進會).

Mrs. Yvonne Lo is the wife of Mr. Kenneth Lo (the Chairman and an executive director) and mother of Mr. Andrew Lo (an executive director and the Chief Executive Officer) and Mr. Howard Lo (an executive director and a senior vice president).

Mr. Lo Ching Leung Andrew (羅正亮), aged 55, is the Chief Executive Officer of the Group and has been an executive director since March 1994. With around 30 years of experience in the apparel manufacturing industry, Mr. Andrew Lo is now primarily responsible for formulating and overseeing the overall development strategies and operation of the Group. He first joined the Group in 1988, starting in the production department of the sweater division and has since risen through the ranks. He served as Deputy Chief Executive Officer of the Group from 2003 to 2007, and was promoted to Chief Executive Officer of the Group in 2008. He is also chairman of the Corporate Development Committee of the Company.

Mr. Andrew Lo served as a softgoods sub-committee member of The Hong Kong Exporters' Association from 2003 to 2007, as well as a director of the Hong Kong Research Institute of Textiles and Apparel from 2010 to 2016. He has been a director of the Textile Council of Hong Kong Limited since 2014. Mr. Andrew Lo was a member of the Textiles Advisory Board from 2013 to 2018 and was a member of the Trade and Industry Advisory Board from 2017 to 2019. He has been a director of Law's Foundation Limited since 2018.

Mr. Andrew Lo was appointed a member of the 5th committee of the Chinese People's Political Consultative Conference of Huicheng District, Huizhou City (中國政治協商會議惠州市惠城區委員會第五屆委員) and a council member of the Better Hong Kong Foundation in 2012.

Mr. Andrew Lo graduated from the University of Toronto with a bachelor's degree in arts in June 1988. He is the son of Mr. Kenneth Lo (the Chairman and an executive director) and Mrs. Yvonne Lo (the Vice Chairman and an executive director), and brother of Mr. Howard Lo (an executive director and a senior vice president).

Mr. Wong Chi Fai (王志輝), aged 61, has been an executive director of the Group since March 1994 and is mainly responsible for overseeing the Group's innovation development and productivity enhancement, supporting corporate functions and setting up strategies and governance policy. Mr. Frankie Wong joined the Group and served as the senior officer of the denim division from November 1982 and has since risen through the ranks. He then served as overseas plant manager from 1986 to 1988 and general manager of the denim division from 1988 to 1994. He was promoted to executive director of the Group in 1994 and was responsible for overseeing the lifestyle wear division until 2007 and the denim division until 2015. He is also a member of the Corporate Development Committee of the Company.

With over 30 years of experience in the apparel manufacturing industry, Mr. Frankie Wong currently serves as a member of the Board of The Hong Kong Research Institute of Textiles and Apparel Limited to which he was appointed in September 2016. He was also awarded the title of Honorary Citizen of Zhongshan City (中山市榮譽市民) in 2013 for his significant contributions to the economic and social development of the city.

Mr. Wong Sing Wah (黃星華), aged 57, has been an executive director of the Group since January 2011 and is primarily responsible for overseeing the lifestyle wear and the sweater divisions, supporting corporate functions and setting up strategies and governance policy. Mr. Dennis Wong initially joined the Group as an assistant merchandiser of the sweater division in May 1983, then serving as overseas sales manager from 1986 and later overseas operation manager until 1990. Mr. Dennis Wong re-joined the Group in June 1996 as sales manager of the lifestyle wear division, and has held various positions since then. He served as sales senior manager until March 2000, and successively as assistant general manager of the Japan operation until August 2003, deputy general manager of the Japan operation until January 2004, deputy general manager–operation until October 2004, general manager–sales and operations until June 2007 and subsequently, and the president until December 2011. He is also a member of the Corporate Development Committee of the Company.

Mr. Dennis Wong was awarded the title of "2013 Top Ten Economic Individual of Dongguan City" (2013年東莞十大經濟人物), and served as the vice chairman of the 1st supervisory committee of the Dongguan City Association of Enterprises with Foreign Investment Changping Branch (東莞市外商投資企業協會常平分會) in 2010.

Mr. Lo Howard Ching Ho (羅正豪), aged 42, has been an executive director and a member of the Corporate Development Committee of the Company since January 2021. Mr. Howard Lo was appointed senior vice president of sales and operations in April 2014. He joined the Group in September 2005, becoming an executive trainee until March 2007. He then transferred to the lifestyle wear division and served as assistant manager-merchandising from April 2007 to August 2007, assistant general manager of sales from September 2007 to July 2008, assistant general manager from August 2008 to December 2010 and general manager of sales and operations from January 2011 to March 2014. Before joining the Group, Mr. Howard Lo worked at Citigroup from 2001 to 2005. He received one of the Young Industrialist Awards of Hong Kong in 2016.

Mr. Howard Lo graduated from the University of Toronto with a bachelor's degree in commerce in June 2001. He is the son of Mr. Kenneth Lo (the Chairman and an executive director) and Mrs. Yvonne Lo (the Vice Chairman and an executive director), and is a brother of Mr. Andrew Lo (an executive director and the Chief Executive Officer).

Independent Non-executive Directors

Mr. Griffiths Anthony Nigel Clifton, aged 77, was appointed an independent non-executive director in September 2002. He is the chairman of the Audit Committee and a member of the Nomination Committee of the Company. Mr. Griffiths joined Shui On Group when it acquired Harbour Engineering and Construction Co., Ltd., where he was a director, in February 1982. He held various positions in the Shui On Group including finance and executive director until 1984 and managing director of certain subsidiaries until August 1986. When Shui On Construction and Materials Ltd. (currently known as SOCAM Development Limited) listed on the Stock Exchange in 1997 (stock code: 0983), he joined its board as an independent non-executive director. He was appointed the chairman of its audit committee and remuneration committee in 1998 and 2002 respectively, and continued in these capacities until May 2010 when he stepped down. From September 1986, Mr. Griffiths worked as the managing director at GML Consulting Ltd., a company engaged in general management and human resources consulting, until August 2002. He has served as an independent non-executive director of Manulife Provident Funds Trust Company Limited since May 2000 and was redesignated the independent director in December 2000. Mr. Griffiths has been a Fellow of The Hong Kong Institute of Directors since 2000. He has also been a member and Fellow of The Institute of Chartered Accountants in England and Wales since 1967 and was a member of the executive committee of the Hong Kong Coalition of Service Industries from 1991 to 2002, as well as a vice chairman from 1997 to 2002.

Mr. Tse Man Bun Benny (謝文彬), aged 78, was appointed an independent non-executive director in January 2005. He is a member of both the Audit Committee and the Remuneration Committee of the Company. Mr. Tse has over 40 years' experience in the banking industry. He worked for The Hongkong and Shanghai Banking Corporation Limited, Hong Kong (HSBC) from 1968 until his retirement in 2002. During his service with HSBC, he held various key positions, including senior credit manager; district manager; managing director, Wayfoong Finance Limited and Wayfoong Credit Limited; area manager of Retail Banking; senior executive of Corporate and Institutional Banking, and senior executive, Commercial Banking. After his retirement from HSBC, he served as a director and chief executive officer of Allied Banking Corporation (Hong Kong) Limited from April 2003 to October 2004. In December 2004, he joined SEA Holdings Limited, a company engaged in property investment and development which is listed on the Stock Exchange (stock code: 0251), as an executive director and in September 2007 he was re-designated a non-executive director until he stepped down in May 2009. Mr. Tse was appointed an independent non-executive director of HSBC Insurance (Asia) Limited in August 2003 and HSBC Life (International) Limited in August 2007 until February 2020 when he stepped down. He was also an independent non-executive director of Tysan Holdings Limited (stock code: 0687) from September 2004 until he stepped down in July 2020.

Since January 2006, Mr. Tse has served as an independent non-executive director of China Fishery Group Limited, which is listed on the Stock Exchange of Singapore (SGX: B0Z). According to the announcements published by the company, China Fishery Group Limited, together with its various non-Peruvian subsidiaries, had filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code, while a consensual restructuring of its key Peruvian subsidiaries was being pursued. A Chapter 11 trustee was appointed for one of its subsidiaries which had filed for the Chapter 11 relief. At the date of this annual report, the Chapter 11 restructuring process is still ongoing.

Mr. Chang George Ka Ki (張家騏), aged 68, was appointed an independent non-executive director in November 2007. He is a member of the Audit Committee, the Remuneration Committee and the Corporate Development Committee of the Company. Mr. Chang has spent much of his career in accounting and auditing thus possesses solid professional knowledge in these areas. He also served as the deputy group controller of the Group from 1984 to 1986.

Mr. Chang has been a director at Morningside Asia, a venture capital firm, since September 1991 and, since March 2015, a non-executive director of Hang Lung Group Limited, a company engaged in property development and investment, and listed on the Stock Exchange (Stock Code: 0010). Mr. Chang has been a certified public accountant recognised by the State of California, U.S. since 1980 and a member of the American Institute of Certified Public Accountants since 1984. He has also been an associate member of the Hong Kong Institute of Certified Public Accountants since 1984, and a chartered accountant and a member of the Institute of Chartered Accountants of Ontario since 1992. Mr. Chang graduated from the University of Wisconsin Madison and received a Master of Business Administration in December 1976.

Mr. Mak Wing Sum Alvin (麥永森), aged 68, was appointed an independent non-executive director on 1 July 2012. He is the chairman of the Remuneration Committee and a member of both the Nomination Committee and the Corporate Development Committee of the Company. After working in Citibank for over 26 years, Mr. Mak retired on 1 May 2012. He last served as the Head of Markets and Banking for Citibank Hong Kong, being the country business manager for corporate and investment banking business. In Citibank, he held various senior positions including Head of Global Banking responsible for managing all the coverage bankers. Prior to that, he also managed the Hong Kong corporate finance business, the regional asset management business and was the Chief Financial Officer of North Asia. Mr. Mak is also an independent non-executive director of the following companies which are all listed on the Hong Kong Stock Exchange: Luk Fook Holdings (International) Limited (Stock Code: 0590), Lai Fung Holdings Limited (Stock Code: 1125), Hong Kong Television Network Limited (Stock Code: 1137) and Goldpac Group Limited (Stock Code: 3315). Since August 2020, Mr. Mak has also been appointed the chairman of the audit committee of Luk Fook Holdings (International) Limited. He was also an independent non-executive director of I.T Limited (Stock Code: 0999) from March 2012 to December 2019.

Mr. Mak is a Chartered Accountant and a member of the Institute of Chartered Accountants of Ontario and a member of the Hong Kong Institute of Certified Public Accountants. He is a member of the Hong Kong Housing Society and a member of several of its committees. In September 2018, Mr. Mak was appointed as a member of the supervisory board and the chairman of the audit committee of the Hong Kong Housing Society. Mr. Mak graduated from the University of Toronto and obtained a bachelor's degree in commerce in 1976.

Changes in Directors' Biographical information

Changes in the information of Directors since 18 August 2020, being the date of the Company's 2020 interim report, and up to the date of this report, which are required to be disclosed pursuant to the Listing Rules, are set out below:

Name of Director	Details of Changes
Mr. Mak Wing Sum Alvin	Appointed chairman of the audit committee of Luk Fook Holdings (International) Limited with effect from 20 August 2020

SENIOR MANAGEMENT

The executive directors and senior management are responsible for the day-to-day management and operation of the business.

Mr. Li Wai Kwan (李偉君), aged 49, was appointed Chief Financial Officer and Company Secretary on 1 December 2018. He is a member of the Corporate Development Committee of the Company.

Prior to joining the Company, Mr. Li was the chief financial officer of Zhuhai Dahengqin Property Limited. Before that, Mr. Li worked in several companies listed on the Hong Kong Stock Exchange including China Agri-Industries Holdings Limited (stock code: 606) and Esprit Holdings Limited (stock code: 330), where he developed extensive experience in leading finance and accounting, mergers and acquisitions, treasury, investor relations and corporate governance functions.

Mr. Li graduated from the University of Toronto with a bachelor's degree in Commerce with distinction, and received a Master of Business Administration from York University, Canada. He is also a member of the Hong Kong Institute of Certified Public Accountants amongst his various professional qualifications.

Mr. Lo Wing Sing Eddie (盧永盛), aged 61, was appointed the president of the intimate division in May 2006 and is mainly responsible for overseeing the overall operation of the intimate division. Mr. Eddie Lo joined the Group in March 2003 and has held various positions. He served as the general manager from 2003 and was later promoted to president of the ACCI group. He was then transferred as acting president of the intimate division from June 2005 to April 2006. Mr. Eddie Lo was subsequently promoted to president of the intimate division. Before joining the Group, Mr. Eddie Lo worked at Glorious Sun Enterprises Ltd., which is listed on the Stock Exchange (Stock Code: 0393), serving as the general manager and a director of its subsidiary Jeanswest Corporation Pty. Ltd., an apparel retailing company.

Mr. Wong Ho (黃河), aged 54, was appointed the president of the denim division in January 2016. Mr. Wong joined the Group as a quality control supervisor of the lifestyle wear division in October 1992 and has held various positions. He was transferred to the denim division and served as operation manager from 1999, prior to being promoted to general manager. Mr. Wong obtained a higher diploma in textiles and clothing studies from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1989.

COMPANY SECRETARY

Please see "Senior Management – Mr. Li Wai Kwan (李偉君)" above.

Report of the Directors

The Board is pleased to present this report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

COMPANY INCORPORATION

The Company was initially incorporated in Bermuda on 4 January 1993. In anticipation of the listing of shares on the Stock Exchange, the Company re-domiciled and was registered by way of continuation as an exempted company in the Cayman Islands on 29 December 2016 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company's shares were listed on the Main Board of the Stock Exchange on 3 November 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of its principal subsidiaries are set out in note 38 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion of the Group's future business development are set out in the Chairman's Statement as well as the Management Discussion and Analysis on page 3 and pages 4 to 12 of this annual report. Commentary on the Group's relationships with its key stakeholders is given in the Chairman's Statement on page 3 of this annual report. An analysis of the Group's performance during the year using key financial information is set out in the Financial Highlights on page 2 of this annual report. In addition, the Group has implemented certain environmental policies to regulate its performance and has complied with relevant laws and regulations which have a significant impact on the Group, further details of which are set out in the Sustainability Report 2020 of Crystal International Group Limited to be published in accordance with the Listing Rules not later than 22 July 2021. The Group operates a funded defined benefit scheme for qualifying employees of its subsidiaries in the U.K. that has been closed to new members since 1999. During the current year, the subsidiaries in the U.K. are under restructuring and the Group intends to secure all rights and obligations of the scheme through transfer of the scheme's responsibilities to a U.K. regulated insurance company. An intention letter of this potential Buy-out has been signed by the Group subsequent to the end of the reporting period. Based on the latest available information to the Group, the Directors estimate the cost for this potential Buyout at approximately US$15 million and this amount will be recognised in profit or loss upon completion of this potential Buy-out.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated financial statements on pages 58 to 145 of this annual report.

The Board has recommended to pay Shareholders a final dividend of HK5.8 cents per ordinary share for the year ended 31 December 2020 and a special dividend of HK5.0 cents per ordinary share for the 50th anniversary of the Company. Subject to the approval of the proposed final dividend and the special dividend by Shareholders at the Annual General Meeting to be held on Wednesday, 2 June 2021, the proposed final dividend and the special dividend are expected to be paid on Wednesday, 7 July 2021.

DIVIDEND POLICY

The Company has adopted a dividend policy ("**Dividend Policy**") which was approved by the Board on 5 December 2018. According to the Dividend Policy, the Company may distribute dividends by way of cash or other means that the Board considers appropriate. Any proposed distribution of dividends would be subject to the discretion of the Board and the approval of Shareholders, taking into account the results of operations, financial condition, operating requirements, capital requirements, shareholders' interests and any other considerations that the Board may deem relevant. The declaration and payment of dividends may also be limited by legal restrictions and by loan or other agreements that the Company and its subsidiaries have entered into or may enter into in the future.

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO ATTEND AND VOTE AT THE AGM AND TO THE FINAL DIVIDEND

The forthcoming AGM will be held on 2 June 2021. Notice of the AGM will be sent to Shareholders in due course. For the purpose of determining Shareholders' eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Friday, 28 May 2021 to Wednesday, 2 June 2021, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 27 May 2021.

For the purpose of ascertaining Shareholders' entitlements to the proposed final dividend and the proposed special dividend, the register of members of the Company will be closed from Monday, 21 June 2021 to Wednesday, 23 June 2021, both days inclusive, during which period no transfer of shares will be registered. To qualify for the proposed final dividend and the proposed special dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 18 June 2021.

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five years is set out on page 146 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 23 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 40 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2020, the reserves of the Company available for distribution to its Shareholders amounted to approximately US$605 million (2019: US$580 million).

DONATIONS

Charitable donations made by the Group during the year ended 31 December 2020 amounted to US$0.3 million (2019: US$1 million).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 2020.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2020 are set out in note 38 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2020, sales to the Group's five largest customers accounted for approximately 66.0% of the Group's total sales for the year (of which sales to the Group's largest customer accounted for approximately 38.3%). Purchases from the Group's five largest suppliers accounted for approximately 28.3% of the Group's total purchases for the year (of which purchases attributable to the largest supplier accounted for approximately 13.5%).

None of the Directors, nor any of their close associates nor any shareholder (which to the knowledge of the Directors own more than 5% of the number of issued shares of the Company) had any interest in any of the Group's five largest customers or suppliers at 31 December 2020.

RETIREMENT BENEFIT SCHEMES

The Group operates a MPF Scheme for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The Group also participates in defined contribution retirement schemes organised by the relevant local government authorities in the PRC and other jurisdictions where the Group operates. In addition, the Group operates one defined benefit retirement scheme (that is closed to new members) in the U.K. Particulars of the retirement benefit schemes are set out in note 27 to the consolidated financial statements.

DIRECTORS

The Directors during the year ended 31 December 2020 and up to the date of this annual report are:

Executive Directors

Mr. LO Lok Fung Kenneth *(Chairman)*
Mrs. LO CHOY Yuk Ching Yvonne *(Vice Chairman)*
Mr. LO Ching Leung Andrew *(Chief Executive Officer)*
Mr. WONG Chi Fai
Mr. WONG Sing Wah
Mr. LO Howard Ching Ho (appointed on 1 January 2021)

Independent Non-executive Directors

Mr. GRIFFITHS Anthony Nigel Clifton
Mr. TSE Man Bun Benny
Mr. CHANG George Ka Ki
Mr. MAK Wing Sum Alvin

In accordance with Article 16.2 of the Articles of Association, Mr. Howard Lo will retire at the AGM and, being eligible, offers himself for re-election at the forthcoming AGM of the Company.

In accordance with Article 16.18 of the Articles of Association, Mr. Kenneth Lo, Mrs. Yvonne Lo, Mr. Frankie Wong and Mr. Tse shall retire at the AGM. Except for Mr. Tse, all of the above retiring directors, being eligible, offer themselves for re-election at the forthcoming AGM of the Company. As Mr. Tse has planned to retire and will not offer himself for re-election, he will therefore retire at the conclusion of the AGM.

The Company has received confirmation from all independent non-executive directors of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive directors to be independent.

DIRECTORS', SENIOR MANAGEMENT'S AND COMPANY SECRETARY'S PROFILES

Profiles of the Directors, the senior management and company secretary are set out on pages 13 to 18 of this annual report.

DIRECTORS' SERVICE AGREEMENTS

The service agreements with each executive director (other than Mr. Howard Lo) and the letters of appointment given to each independent non-executive director were entered into for a fixed term of one year that commenced on 6 October 2020. The service agreement with Mr. Howard Lo has a fixed term commencing from 1 January 2021 and ending on 5 October 2022. The service agreements and the letters of appointment are subject to termination in accordance with their respective terms. The service agreements and the letters of appointment may be renewed in accordance with the Articles of Association and the applicable Listing Rules.

The emoluments of directors have been determined with reference to the skills, knowledge and involvement in the Company's affairs, the performance of each director and prevailing market conditions during the year.

Save as disclosed above, none of the Directors has entered, or has proposed to enter, into a service agreement with any member of the Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2020.

SHARE AWARD SCHEMES

The Company's share award scheme ("**Share Award Scheme A**") was adopted pursuant to a resolution passed on 28 December 2016 for the primary purpose of providing incentives to eligible employees of the Group.

On 28 December 2016, 128 shares of the Company (the "**Incentive Shares**"), representing 1.067% of the issued shares of the Company were transferred from Crystal Group Limited, the former ultimate holding company, to eligible employees pursuant to Share Award Scheme A. No consideration was paid by the grantees for the grant of the Incentive Shares. All Incentive Shares vested immediately as there was no vesting requirement under Share Award Scheme A. All share awards held by the Group's employees under Share Award Scheme A were vested at 28 December 2016. There has been no movement in the share awards granted under Share Award Scheme A during the year ended 31 December 2020.

The Company adopted a further share award scheme ("**Share Award Scheme B**") in April 2017 and appointed the Trustee to assist with the administration and vesting of shares to be awarded pursuant to Share Award Scheme B. The purpose of Share Award Scheme B is to recognise the Group's existing and past executives, consultants or officers for their past service and contribution to the Group, to motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group and to provide the opportunity to own equity interests in the Company. There is no limit on the maximum number of share awards to be granted to each eligible person under Share Award Scheme B. The Company may (i) allot and issue shares to the Trustee to be held by the Trustee and which will be used to satisfy the share awards upon exercise and/or (ii) direct and procure the Trustee to receive existing shares from any Shareholder.

Share Award Scheme B is valid and effective for a period of ten years, commencing from the date of the first grant of shares under this scheme. During the year ended 31 December 2017, 13,062,000 shares were granted to 93 persons who are eligible under Share Award Scheme B. All share awards held by the Group's employees under Share Award Scheme B were vested at 3 November 2019. There has been no movement in the share awards granted under Share Award Scheme B during the year ended 31 December 2020.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Save for the related party transactions disclosed in note 36 to the consolidated financial statements, no Director and Controlling Shareholder and/or any of his/her connected entities had a material interest, whether directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party at the end of the year or at any time during the year.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

A number of agreements and arrangements with connected persons (as defined under Chapter 14A of the Listing Rules) have been entered into in the ordinary and usual course of business. The transactions disclosed under this section constituted non-exempt continuing connected transactions and connected transactions under Chapter 14A of the Listing Rules.

The following table sets out the amounts of the Group's non-exempt continuing connected transactions and connected transactions for the year ended 31 December 2020:

	Connected persons	Nature of transactions	Transaction amount US$'000	Annual cap US$'000	Right-of-use assets US$'000
1.	Tanbo Development Limited	Expense paid/payable for lease of premises	70		67
	Happy Field Company Limited	Expense paid/payable for lease of premises	696		672
	Joint Access Limited	Expense paid/payable for lease of premises	541		522
	Asia Success Properties Limited	Expense paid/payable for lease of premises	1,848		1,800
		Sub-total	3,155		3,061
2.	Masterknit	Income received/receivable for provision of management services	783	1,000	
3.	Masterknit	Income received/receivable for subcontracting services	3,113	4,000	
4.	Masterknit	Expense paid/payable for lease of equipment	500		491

(1) 2020 Leases

In 2017, the Group, as tenants, entered into various leases with (1) Asia Success Properties Limited, (2) Tanbo Development Limited, (3) Happy Field Company Limited (being entities controlled by the Controlling Shareholders) and (4) Joint Access Limited (being an entity controlled by Mr. Andrew Lo) (collectively, the "**Connected Landlords**"), which were renewed on 20 December 2019 (the "**2020 Leases**"). Pursuant to the 2020 Leases, the Connected Landlords agreed to lease the premises for office, warehouse and living quarters purposes. The term of the lease agreement with Asia Success Properties Limited is one year commencing from 1 January 2020 and that of the others are nine months commencing from 1 April 2020. Since the Connected Landlords are connected persons of the Company and the transactions with these entities are of a similar nature, such transactions will be aggregated and treated as if they were one transaction, pursuant to Rules 14A.82(1) of the Listing Rules.

DTZ Cushman & Wakefield Limited, the property valuer of the Company, has confirmed that the rent under the 2020 Leases reflects prevailing market rates. The Directors confirm that the annual rent is determined on normal commercial terms and with reference to market price.

(2) Agreements with Masterknit

In 2017, the Group entered into (a) the general service agreement; (b) the framework sub-contracting services agreement and (c) the equipment leasing agreement with Masterknit, which were renewed on 20 December 2019 (collectively the "**Agreements with Masterknit**"). The terms of the Agreements with Masterknit are one year commencing from 1 January 2020. As the Controlling Shareholders are indirect shareholders of Masterknit, Masterknit is a connected person to the Company and the Agreements with Masterknit constituted connected transactions of the Company.

(a) the General Service Agreement

Parties: The Group (as services provider) and Masterknit (as customer).

Principal terms: The Group entered into a general service agreement with Masterknit on 20 December 2019, pursuant to which the Group provided various services to Masterknit including, among others, IT system support, data processing, analysis, general administrative services, human resource support, research and development and logistics. The term of the agreement was from 1 January 2020 to 31 December 2020.

Reasons for the transaction: The Directors were of the view to continue providing the general support service to Masterknit. The directors (including the independent non-executive directors) consider that the transactions have been entered into in the ordinary course of the Company's business on normal commercial terms, and the terms of the general service agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

Pricing policy: The fees for general services were determined based on the costs related to the general services with a margin agreed by Masterknit. The margin rate was the prevailing market rate which was determined by the parties on the basis of, and in any event no less than, the results of research conducted by the parties into comparable companies providing similar services. The research conducted by an independent accounting firm engaged by the Company stated the median margin rate charged by comparable companies selected by the independent accounting firm to be 7.15% on a three-year weighted basis and 7.55% for the year ended 31 December 2019 as reviewed. The fixed margin rate charged by the Company for the provision of general services for the year ended 31 December 2020 was 12%. Taking into account the manner in which the margin rate was determined and that the applicable margin rate for the general service agreement was higher than the results of the research, the Directors considered that the pricing policy in respect of the general service agreement was fair and reasonable, on normal commercial terms and no less favorable to the Company.

(b) the Framework Sub-contracting Services Agreement

Parties: The Group (as sub-contractor) and Masterknit (as customer).

Principal terms: The Group entered into a framework sub-contracting services agreement with Masterknit on 20 December 2019, pursuant to which the Group provided sub-contracting services to Masterknit from time to time. The term of the agreement was from 1 January 2020 to 31 December 2020.

Reasons for the transaction: As the Group possessed expertise in garment manufacturing and the Group was moving into the manufacture of sportswear and accessories, the cooperation with Masterknit enabled the Group to gain experience of knitted shoe upper manufacture while Masterknit, lacking its own manufacturing capability, required reputable sub-contractors.

Pricing policy: The sub-contracting fees were determined with reference to comparable processing charges made by third party sub-contractors providing similar services to Masterknit given that Masterknit was the Company's sole customer of such services.

In determining the sub-contracting fees charged by the Company and in order to ensure that the transactions were conducted on normal commercial terms and no less favorable to the Company, the Company itself solicited two other contemporaneous transactions with unrelated third parties for similar quantities. The sub-contracting fees charged by the Company to Masterknit should be comparable to, and in any event on no less favorable terms to the Company than, the fees charged by unrelated third parties for similar quantities. Taking into account the manner in which the sub-contracting fees were determined, the Directors considered that the pricing policy in respect of the framework sub-contracting services agreement was fair and reasonable, on normal commercial terms and no less favorable to the Company.

(c) the Equipment Leasing Agreement

Parties: The Group (as lessee) and Masterknit (as lessor).

Principal terms: The Group entered into an equipment leasing agreement with Masterknit on 20 December 2019, under which Masterknit agreed to lease to the Group certain production equipment. The term of the agreement was from 1 January 2020 to 31 December 2020.

Reasons for the transaction: As the sub-contracting services mentioned in (b) above required different types of production equipment, it was considered commercially sensible for Masterknit to lease the required equipment to the Group for the reasons that (i) it was more cost effective for the relevant equipment to be leased instead of purchased since the Group was only providing sub-contracting services regarding knitted shoe uppers to Masterknit and (ii) Masterknit dealt directly with its customers regarding product development that enabled Masterknit to determine the most suitable equipment to be used to achieve the desired product quality.

Pricing policy: The fees for equipment leasing were determined with reference to the cost of such production equipment and an agreed internal rate of return. An aggregate sum of US$41,666 should be payable in cash on a monthly basis and in advance on the first day of each calendar month. The total rent payable during the term under this agreement was US$500,000. For the equipment leasing agreement, the Company recognised the leased asset as an acquisition of right-of-use asset amounting to US$491,000.

In accordance with IFRS 16 applicable to the Company, the transactions under the 2020 Leases and the equipment leasing agreement with Masterknit were recognised as acquisitions of right-of-use assets, which constituted one-off connected transactions of the Company under Chapter 14A of the Listing Rules. Since the transactions under the 2020 Leases and the equipment leasing agreement with Masterknit were of similar nature, such transactions were aggregated and treated as if they were one transaction, pursuant to Rules 14A.82(1) of the Listing Rules.

The transactions contemplated under the Agreements with Masterknit, except for the equipment leasing agreement, were conducted on an ongoing basis from 1 January 2020 to 31 December 2020 and therefore constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since Masterknit is a connected person and the transactions with Masterknit under the general service agreement and the framework sub-contracting services agreement are of similar nature, the transactions would be aggregated and treated as if they were one transaction pursuant to Rules 14A.82(1) and 14A.83 of the Listing Rules. Accordingly, the annual caps in respect of the transactions with Masterknit under categories (a) and (b) above were aggregated, and such aggregate amount was used when calculating the relevant percentage ratios under Chapter 14A of the Listing Rules.

As the applicable "percentage ratios" (other than the profits ratio) for the transactions were more than 0.1% but below 5%, the transaction described above was exempt from the circular (including independent financial adviser review) and independent shareholders' approval requirements, but was subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

Renewal of Connected Transactions

In December 2020, the Group renewed (i) certain lease agreements under the 2020 Leases and (ii) the Agreements with Masterknit, the terms of which will expire on 31 December 2021. In addition, the Group entered into a new lease agreement with Tanbo Development Limited for warehouse purposes for a term of one year commencing from 1 January 2021. Details of the renewal and new lease were set out in the announcement made by the Company on 21 December 2020.

Annual Review of the Continuing Connected Transactions

The independent non-executive directors have reviewed the above continuing connected transactions and confirm that the transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

Pursuant to Rule 14A.56 of the Hong Kong Listing Rules, the Company's auditor was engaged to perform certain procedures in respect of the continuing connected transactions set out above in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken by the Group in its normal course of business are set out in note 36 to the consolidated financial statements. During the year ended 31 December 2020, certain related party transactions, as disclosed in notes 36(a) and 36(d) to the consolidated financial statements, constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and the Company has complied with the applicable disclosure requirements under Chapter 14A of the Listing Rules.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

At 31 December 2020, none of the Directors was interested in any business, apart from the Group's businesses, which competed or was likely to compete, either directly or indirectly, with the businesses of the Group.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

Save as otherwise disclosed in this annual report, at no time during the year was the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined under the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

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

At 31 December 2020, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or were deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange:

Interests in the Company

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

Notes:

(a) All positions are long positions.

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

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

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

Save as disclosed above, at 31 December 2020, none of the Directors or chief executive of the Company had any interest or short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they had taken or were deemed to have taken under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

At 31 December 2020, the following person(s) (other than the Directors or chief executive of the Company), were directly or indirectly, interested in 5% or more of the shares or short positions in the shares and the underlying shares of the Company, which are required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

Name	Nature of Interest	Number of shares (Long position)	Approximate percentage of shareholding in the Company (%)
FIL Limited (note)	Interest in controlled corporation	143,161,500	5.02
Pandanus Partners L.P. (note)	Interest in controlled corporation	143,161,500	5.02
Pandanus Associates Inc. (note)	Interest in controlled corporation	143,161,500	5.02

Note: According to the disclosure of interest forms, FIL Limited is controlled (as defined under the SFO) by Pandanus Partners L.P., which in turn is controlled (as defined under the SFO) by Pandanus Associates Inc. Those 143,161,500 Shares represent the same interests and are therefore duplicated among them.

Save as disclosed above, at 31 December 2020, the Directors are not aware of any other corporation or individual (other than the Directors or chief executive of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

PUBLIC FLOAT

At the date of this annual report, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the public float as agreed with the Stock Exchange during the year ended 31 December 2020 and up to the date of this annual report.

CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" section on pages 31 to 49 of this annual report.

AUDIT COMMITTEE

The Audit Committee, together with the management of the Company and the external auditor of the Company, conducted a review of the accounting principles and policies adopted by the Group and the financial statements for the year ended 31 December 2020.

AUDITOR

The consolidated financial statements for the year ended 31 December 2020 have been audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM of the Company. A resolution for the re-appointment of Deloitte Touche Tohmatsu as the independent auditor of the Company will be proposed at the forthcoming AGM.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2020, the Group has complied with the "comply or explain" provisions contained in the Environmental, Social and Governance Reporting Guide. For details, please refer to the Sustainability Report 2020 of Crystal International Group Limited to be published in accordance with the Listing Rules not later than 22 July 2021.

On Behalf of the Board
Lo Lok Fung Kenneth
Chairman
18 March 2021

CORPORATE GOVERNANCE FRAMEWORK

The Group believes that good corporate governance can enhance its overall effectiveness and thus create additional value for its shareholders. The Group is committed to maintaining high standards and has applied the Principles that are set out in the CG Code as set out in Appendix 14 to the Listing Rules. The Group's corporate governance practices are based on these Principles. The Board believes that good corporate governance standards are essential in contributing to the provision of a framework for the Group to safeguard the interests of its shareholders, enhance corporate value, formulate its business strategies and policies, and enhance transparency and accountability.

For the financial year ended 31 December 2020, the Group has been in compliance with all the code provisions under the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Upon specific enquiry being made of all Directors, each of them has confirmed their compliance with the required standards set out in the Model Code for the year ended 31 December 2020 and up to the date of this annual report.

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 has been noted for the year ended 31 December 2020 and up to the date of this annual report.

BOARD OF DIRECTORS

Roles and Responsibilities

The Group endeavours to enhance corporate efficiency and profitability through the Board. The Directors recognise their collective and individual responsibility to the shareholders and perform their duties diligently to contribute to positive results for the Group and maximise returns for shareholders.

The functions and duties of the Board include convening general meetings, reviewing and monitoring the training and continuous professional development of the Directors and senior management, reviewing the Group's compliance with the Code and disclosures in the Corporate Governance Report, implementing the resolutions passed at general meetings, determining strategies, business and investment plans, formulating the annual financial budget and reviewing as well as approving the financial accounts, and formulating proposals for profit distributions as well as exercising other powers, functions and duties conferred by the Articles of Association. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the senior management.

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code. During the year, the Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Board Composition

The Board continuously seeks to enhance its effectiveness and to maintain the highest standards of corporate governance. It recognises diversity at Board level is an essential element in maintaining competitive advantage and sustainable development. The Board considers it vital to have the appropriate balance of skills, experience and diversity of perspectives that are needed to support the execution of its business strategies.

At 31 December 2020, the Board comprised five executive directors and four independent non-executive directors, whose biographical details and family relationships among certain Directors are set out in the section headed "Directors and Senior Management" on pages 13 to 18 of this annual report. There are no other material financial, business or other relevant relationships among the Directors.

	Name of Directors		Relevant Board Committees
Executive Directors (EDs)	Mr. Kenneth Lo	(Chairman)	RC NC
	Mrs. Yvonne Lo	(Vice Chairman)	
	Mr. Andrew Lo	(Chief Executive Officer)	CDC
	Mr. Frankie Wong		CDC
	Mr. Dennis Wong		CDC
Independent Non-executive Directors (INEDs)	Mr. Griffiths		AC NC
	Mr. Tse		AC RC
	Mr. Chang		AC RC CDC
	Mr. Mak		RC NC CDC

The Company has received from all independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all independent non-executive directors to be independent.

BOARD DIVERSITY

The Group has reviewed the Board Diversity Policy during the year ended 31 December 2020. In designing, reviewing and assessing the Board's composition, board diversity is considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, industry experience, technical and professional skills and/or qualifications, knowledge, length of service and time to be devoted to being a director. The Board strives to ensure that it has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies and in order for it to be effective.

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Kenneth Lo, and the CEO is Mr. Andrew Lo. The roles of Chairman and CEO are performed by separate individuals, and there is clear division of responsibilities between the Chairman and CEO to ensure a balance of power and authority.

Appointment and Re-election of Directors
There is a written nomination policy and process (a formal, considered and transparent process) for the selection and appointment of new Director(s) and there is a plan in place for orderly succession for appointments. All Directors are subject to retirement by rotation at least once every three years.

The independent non-executive directors have letters of appointment from the Company for a fixed term of one year that commenced on 6 October 2020. They are subject to retirement by rotation and are eligible for re-election at the AGM.

BOARD COMMITTEES

To oversee particular aspects of the Company's affairs and to assist in the execution of its responsibilities, the Board has established four Committees: the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Development Committee. The Audit Committee comprises only independent non-executive directors as members in order to ensure independence, while the Remuneration Committee and Nomination Committee comprise a majority of independent non-executive directors so that effective independent judgement can be exercised.

The reports of each of the Audit Committee, Remuneration Committee, Nomination Committee and Corporate Development Committee for the year under review are set out on pages 34 to 41 of this report.

In order to comply with the Listing Rules and the CG Code, the terms of reference of each of the Audit Committee, Remuneration Committee and Nomination Committee of the Group and the list of Directors and their roles and functions are regularly revised and updated, and are published on the websites of the Group and the Stock Exchange respectively.

AUDIT COMMITTEE REPORT

Committee Composition and Meetings

Throughout the year ended 31 December 2020, the Audit Committee comprised three members, each of whom is an independent non-executive director:

- Mr. GRIFFITHS Anthony Nigel Clifton *(Chairman)*
- Mr. TSE Man Bun Benny
- Mr. CHANG George Ka Ki

The Board considers the Audit Committee to have appropriate, relevant financial experience and each member is independent as required by the Listing Rules. The Audit Committee met five times during the year and, in view of the impact of the COVID-19 virus, all members attended all five meetings by virtual means as well as, whenever possible, in person. The Chief Financial Officer and the Head of Internal Audit attend the meetings of the Audit Committee by invitation. There is active contact between the members of the Audit Committee between meetings.

Committee Purpose

There was no revision of the terms of reference of the Audit Committee during the year. In accordance with its current terms of reference (available on the websites of the Stock Exchange and the Company), the main focus of the Audit Committee continues to be:

- Reviewing the financial results and reports
- Monitoring the internal control environment
- Assessing the state of the Group's risk management process
- Receiving reports from the external and internal auditors
- Reviewing the continuing connected transactions

The work of the Audit Committee and of the Internal Audit Department was constrained during the year by the impact of the COVID-19 virus that effectively prevented travel outside Hong Kong. The Audit Committee reviewed and endorsed the consequent revisions to the schedule of work of the Internal Audit Department.

Reviewing the Financial Results and Reports

During the year ended 31 December 2020, the Audit Committee reviewed the Group's audited consolidated financial statements and reports relating to the year ended 31 December 2019 together with the external auditors, satisfying itself as to the extent of work done by the external auditors, the consistent application of Group accounting policies, the appropriateness of financial judgments applied and the compliance with Board approved limits of connected transactions. Similar work was conducted in respect of the unaudited condensed consolidated financial statements and reports issued by the Group for the six months ended 30 June 2020. In view of their material significance to the Group, the Audit Committee continued to give ongoing attention to the valuation of intangible assets. The Audit Committee was satisfied with the outcome of its various reviews set out here.

The Audit Committee reviewed the Group's audited consolidated financial statements and reports relating to the year ended 31 December 2020 on 17 March 2021 and notes the considerable efforts made by both the Groups' finance and accounting staff and the auditors to complete their work in time for the Audit Committee review to take place as scheduled.

Monitoring the Internal Control Environment

The Audit Committee reviewed reports from the Internal Audit Department, all of which related to the application of internal controls in different parts of the Group and the responses of management to the points made in the reports. The focus during 2020 was (a) finalisation of the full and proper control of selling and general administrative expenses in all divisions of the Group; (b) the significant matter of succession at senior management level; and (c) the nature and effectiveness of risk management within the Group with particular focus on cyber security. The Audit Committee was generally satisfied by the responses given and the remedial actions taken. The Audit Committee requires the Internal Audit Department to follow up on the actions proposed to be taken to ensure they have been and continue to be applied. During the year, the Audit Committee reviewed the follow up conducted in regard to the audits conducted by the Internal Audit Department during 2019. When the Audit Committee considers it appropriate, relevant senior management is invited to meet the Audit Committee for further clarification, discussion and agreement of a programme of additional actions. The Audit Committee continued the practice in prior years of advising the Board of its major findings and the areas it considered required action by the Board.

Despite the impact of the COVID-19 virus during the greater part of the year, the Audit Committee reviewed the functioning of the Internal Audit Department and satisfied itself that effective reviews could be and were undertaken, for the most part virtually since physical checking could not be undertaken due to restrictions on travel and quarantine requirements.

Assessing the State of the Group's Risk Management Process and Major Risks Reviewed

The Group's risk management process is overseen and supervised by the executive committee of the Company that has delegated operational oversight to the Chief Financial Officer. With the assistance of the Internal Audit Department, the Audit Committee checks that the process is actively in place and in 2020 received a written report from the Chief Financial Officer on the system, the classification plus assessed impact of identified risks and the actions being taken where required. At every meeting, the Audit Committee reviews the log of complaints made by whistle blowers and satisfies itself as to the appropriateness of actions taken by management in response to the complaints.

The Audit Committee had determined previously that cyber security was an area of significant risk to the Group and this is also reflected in Group's risk management process. Accordingly, the Audit Committee met the general manager responsible for cyber security twice during the year to review the cyber protection systems in place, the number, location and types of attacks that had occurred and their impact together with the remedial action taken to improve cyber protection. The number of attacks had decreased and none had caused any significant damage or problem. It was noted that the main type of attack had become the use of phishing emails. An external company was employed to undertake three penetration tests to determine areas of weakness and the effectiveness of remedial action taken. The initial test revealed various weaknesses of differing severity and a remedial programme was developed then executed. The two subsequent tests showed that the remedial action taken had proved to be effective resulting in the Group's cyber security risk being rated moderate to low. In addition, the Internal Audit Department reviewed the National Institute of Standards and Technology tiered approach to cyber security adopted by the Group, the components of the Crystal Information Security Programme (CISP), the coverage of CISP within the Group and the timetable for its roll out throughout the Group as affected by the COVID-19 virus pandemic.

The Audit Committee had also determined senior management succession to be a potentially critical risk for the Group. Therefore, the Audit Committee directed the Internal Audit Department to review the state of succession for senior management positions and the programmes in place to attract, develop and retain suitable successors. The review indicated that there were insufficient successors in place and there were weaknesses and deficiencies in the programmes that needed to be addressed and remedied. The Board accepted the Audit Committee's recommendation that this area be categorised as a significant risk to the Group requiring more focused attention by top management and commenced the development of a carefully designed programme to remedy the problems identified.

Receiving Reports from the External and Internal Auditors

External auditors

The Audit Committee twice met the external auditors during the year ended 31 December 2020, once without other management present. The external auditors' work, in particular their areas of key focus, was extensively reviewed as were the points recorded by the external auditors in their management letter issued after the audit of the annual consolidated financial statements for year ended 31 December 2019. The Audit Committee satisfied itself regarding the actions taken and proposed to be taken by management to resolve the points raised by the external auditors. As part of its terms of reference, the Audit Committee reviewed with the external auditors their financial independence and was satisfied in that respect. The Audit Committee received management's comments on the fees proposed to be charged by the external auditors and satisfied itself they were reasonable for the scope of work being undertaken. Consequently, the Audit Committee recommended to the Board that the external auditors be reappointed and this recommendation was endorsed by the Board then confirmed at the Annual General Meeting during 2020.

Internal auditors

The Audit Committee reviews at the beginning of each year the work planned by the Head of Internal Audit for his Department for the year to ensure that, over a number of years, all parts of the Group are audited as regards financial and material internal controls. As the work is carried out, detailed reports are submitted to the Audit Committee for review and comment before being released more generally. The Audit Committee satisfies itself as to the quality and focus of the work done by the Internal Auditors and that they have been given appropriate access and co-operation in conducting their work and that senior management is overseeing the implementation of any remedial actions required. Occasionally, the Chief Executive Officer or the Board may require the Internal Audit Department to focus on a short-term, urgent matter and the agreement of the Audit Committee is sought. The Audit Committee, from time to time, makes proposals to the Chief Executive Officer regarding the structure and staffing of the Internal Audit Department.

Other Meetings

It is customary for the Audit Committee to meet the chairman of the Board annually either in its own right or together with the fourth independent non-executive director to discuss its work and observations during the year as well as the major issues confronting the Group in implementing its strategy. The focus of such meetings is on risk, specific areas of concern and the adequacy of the resources applied to managing these areas and concerns. In addition, the Audit Committee meets the Chief Executive Officer annually to discuss its observations and any concerns it has regarding the internal control system of the Group together with the effectiveness of the risk management process. These discussions include the performance of the Internal Audit Department and its Head.

Continuing Connected Transactions

The Group has a small number of transactions with companies controlled by directors of the Company and the anticipated annual limits for each transaction for the following year are reported to shareholders annually by public notice. The Audit Committee is kept informed of the value of each of these connected transactions on a regular basis throughout the year so that it can ensure the limits that have been approved by the Board and notified to shareholders are not exceeded. Towards the end of the year, it reviews the current year's transactions to ensure the caps are unlikely to be breached and also to assess that the caps proposed for the following year have been determined on an arm's length basis and are in the best interests of all shareholders. It may determine there should be adjustments to the caps prior to its recommending the following year's connected transaction caps to the Board for approval. In March 2021, the Audit Committee reviewed the connected transactions for 2020 had not exceeded the caps approved by the Board for each transaction for 2020 and certified this outcome to the Board.

Griffiths Anthony Nigel Clifton
On behalf of the Audit Committee
18 March 2021

REMUNERATION COMMITTEE REPORT

Committee Composition and Meetings

The Remuneration Committee comprises four members:

- Mr. MAK Wing Sum Alvin *(Chairman)* – independent non-executive director
- Mr. TSE Man Bun Benny – independent non-executive director
- Mr. CHANG George Ka Ki – independent non-executive director
- Mr. LO Lok Fung Kenneth – executive director and chairman of the Board

The Remuneration Committee held three meetings during the year ended 31 December 2020.

Committee Purpose

In accordance with the Remuneration Committee's terms of reference (available on the websites of the Stock Exchange and the Company), the Remuneration Committee has been established to:

- establish and review the policy and structure of the remuneration for the Directors and senior management.
- make recommendations to the Board on the remuneration packages of individual Directors and senior management.

Work of the Committee

The Remuneration Committee works in accordance with its terms of reference that can be found on the Company's website.

During the year ended 31 December 2020, the Remuneration Committee discussed and agreed on (a) revision to the remuneration structure to be considered in determining remuneration for the executive directors and senior management; (b) the bonus to be paid to individual executive directors and senior management; and (c) the fees and annual salaries of individual independent non-executive directors, executive directors and senior management.

Mak Wing Sum Alvin
On behalf of the Remuneration Committee
18 March 2021

NOMINATION COMMITTEE REPORT

Committee Composition and Meetings

The Nomination Committee comprises three members:

- Mr. LO Lok Fung Kenneth *(Chairman)* – executive director and chairman of the Board
- Mr. GRIFFITHS Anthony Nigel Clifton – independent non-executive director
- Mr. MAK Wing Sum Alvin – independent non-executive director

The Nomination Committee met three times during 2020 and all members attended each meeting.

Committee Purpose

In accordance with its current terms of reference (available on the websites of the Stock Exchange and the Company), the Nomination Committee has been established to examine and review for the Company:

- Board composition
- Board diversity
- Board succession
- Board effectiveness

and to make recommendations to the Board in these areas for its consideration.

Work of the Committee

The Nomination Committee works in accordance with its current terms of reference that can be found on the Company's website. It keeps under continuous review the composition of the Board, inclusive of its diversity and succession.

The Nomination Committee has its written nomination policy and process for selection and appointment of new Director(s). Based on the outcomes of the Board evaluation performed by external consultants in 2019, the Nomination Committee made recommendations to the Board on the Board composition, the key profiles for new independent non-executive directors and the Board's role and responsibilities. In addition, the Nomination Committee conducted interviews with an internal candidate before his nomination to the Board for appointment as an executive director effective 1 January 2021.

At least annually, the Nomination Committee reviews the present and future skills, experience, expertise, character and gender diversity the Board needs to possess for the Company to achieve its long-term strategic objectives and its business plans. When the Nomination Committee feels there are gaps in the collective skills, experience, expertise and character of the Board, it will notify the Board of its views and reasoning and also notify the Board of its recommendations as to what, if any, action needs to be taken and when.

In assessing the composition of the Board and its needs to perform effectively, the Nomination Committee has developed working papers on the skills and attributes needed within the Board and by individual Directors.

The Nomination Committee has made a preliminary review of succession within the Board and recommended to the Board the re-appointment of various Directors at the Annual General Meeting to be held during 2021. The Nomination Committee has adopted and is applying the skills and attributes papers in its assessment of Board composition, developing medium term succession plans for discussion with the Board and arranging a further review of the effectiveness of the performance of the Board and its committees. In this regard, the Nomination Committee has commenced the process of identifying suitable successors to its two senior independent non-executive directors to be effected within the coming three years to allow proper time for acclimatisation and effective handover of roles.

In addition, the independence of each independent non-executive director of the Company was reviewed by the Nomination Committee and found to be satisfactory.

Lo Lok Fung Kenneth
On behalf of the Nomination Committee
18 March 2021

CORPORATE DEVELOPMENT COMMITTEE REPORT

Committee Composition and Meetings

The Corporate Development Committee comprises six directors and two senior executives:

- Mr. LO Ching Leung Andrew *(Chairman)* – executive director and Chief Executive Officer
- Mr. WONG Chi Fai – executive director
- Mr. WONG Sing Wah – executive director
- Mr. LO Howard Ching Ho (with effect from 1 January 2021) – executive director
- Mr. CHANG George Ka Ki – independent non-executive director
- Mr. MAK Wing Sum Alvin – independent non-executive director
- Mr. LI Wai Kwan – Chief Financial Officer
- Mr. LEE Kean Phi Mark (with effect from 1 July 2020) – senior vice president

The Corporate Development Committee met twice during 2020 and all members attended both meetings.

Committee Purpose

In accordance with the Corporate Development Committee's terms of reference, the Corporate Development Committee has been established to:

- review and advise the Board on future development opportunities for the Group.
- challenge the strategic directions in terms of profitability, risks and return on equity.
- recommend any potential acquisition opportunities for the Board's consideration.
- review strategies for business expansion, capital expenditure restructuring, organisational models and competency structures for the Board's consideration.

Work of the Committee

During the year ended 31 December 2020, the Corporate Development Committee reviewed the potential corporate development opportunities and strategies for business expansion. There are two new members who joined the committee in July 2020 and January 2021 respectively.

Lo Ching Leung Andrew
On behalf of the Corporate Development Committee
18 March 2021

DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the Directors during the year ended 31 December 2020 are as follows:

	Fees US$'000	Salaries and allowances US$'000	Performance-based bonuses US$'000 (note iii)	Retirement benefit schemes contributions US$'000	Total US$'000
For the year ended 31 December 2020					
Executive Directors (note i)					
Mr. Kenneth Lo	–	710	–	–	710
Mrs. Yvonne Lo	–	369	–	–	369
Mr. Andrew Lo (note iv)	–	772	294	13	1,079
Mr. Frankie Wong	–	291	150	16	457
Mr. Dennis Wong	–	719	257	39	1,015
Independent Non-executive Directors (note ii)					
Mr. Griffiths	61	–	–	–	61
Mr. Tse	50	–	–	–	50
Mr. Chang	53	–	–	–	53
Mr. Mak	57	–	–	–	57
	221	2,861	701	68	3,851

Notes:

(i) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(ii) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(iii) The amounts represent performance-based bonuses paid to the Directors to reward their contributions to the Group, based on the performance of the Group.

(iv) Mr. Andrew Lo is also the Chief Executive Officer of the Company during the year ended 31 December 2020.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year ended 31 December 2020. None of the Directors has waived any emoluments during the year ended 31 December 2020.

FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The five individuals with the highest emoluments in the Group include 3 directors of the Company. The emoluments of the five highest paid individuals are as follows:

	2020 US$'000
Salaries and allowances	**2,991**
Performance-based bonuses (note)	**1,549**
Retirement benefit schemes contributions	**86**
	4,626

Note: The amounts represent performance-based bonuses paid to the five highest paid individuals to reward their contributions to the Group.

Their emoluments were within the following bands (presented in HK$):

	Number of Directors 2020	Number of employees 2020
HK$5,500,001 to HK$6,000,000	**1**	**–**
HK$7,000,001 to HK$7,500,000	**–**	**2**
HK$7,500,001 to HK$8,000,000	**1**	**–**
HK$8,000,001 to HK$8,500,000	**1**	**–**
	3	**2**

During the year ended 31 December 2020, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

SENIOR MANAGEMENT REMUNERATION BY BANDS

The remuneration of the Company's senior management, whose profiles are set out on page 18 of this annual report, for the year ended 31 December 2020 were within the following bands (presented in HK$):

	Number of senior management
HK$3,000,001 to HK$3,500,000	**1**
HK$3,500,001 to HK$4,000,000	**2**
HK$7,000,001 to HK$7,500,000	**1**

Note: The above remuneration banding includes the remuneration of Mr. Howard Lo, who was a senior management member for the year ended 31 December 2020. Mr. Howard Lo was appointed as an executive director with effect from 1 January 2021.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Directors participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to participate in continuous professional training at the Company's expenses. All Directors participated in appropriate continuous professional development activities including the Company's in-house update training for Directors during the year ended 31 December 2020 and relevant training records have been maintained by the Company for accurate and comprehensive record keeping.

DIRECTORS' ATTENDANCE AND DEVELOPMENT

Details of Director's attendance at the Board, board committee meetings, annual general meeting and development program held during the year ended 31 December 2020 are set out in the table below:

Name of Directors	Board (note 1)	Audit Committee (note 2)	Remuneration Committee	Nomination Committee	Corporate Development Committee	2020 AGM	Development Program (note 3)
	Number of Meetings Attended/Held						
Executive Directors (EDs)							
Mr. Kenneth Lo	**5/5***		**2/3**	**3/3***		**1/1**	**1/1**
Mrs. Yvonne Lo	**5/5**					**1/1**	**1/1**
Mr. Andrew Lo	**5/5**		**3/3** (note 4)		**2/2***	**1/1**	**1/1**
Mr. Frankie Wong	**5/5**				**2/2**	**1/1**	**1/1**
Mr. Dennis Wong	**5/5**				**2/2**	**1/1**	**1/1**
Independent Non-executive Directors (INEDs)							
Mr. Griffiths	**5/5**	**5/5***		**3/3**		**0/1**	**1/1**
Mr. Tse	**5/5**	**5/5**	**3/3**			**1/1**	**1/1**
Mr. Chang	**5/5**	**5/5**	**3/3**		**2/2**	**1/1**	**1/1**
Mr. Mak	**5/5**		**3/3***	**3/3**	**2/2**	**1/1**	**1/1**
Approximate average duration per meeting (hour)	**3.4**	**1.9**	**2.2**	**1.5**	**2**	**0.8**	**1**

* representing chairman of the Board or relevant board committees.

Notes:

(1) The above figures exclude resolutions in writing signed by all Directors and meetings between the chairman and INEDs without the presence of EDs.

(2) Excluding meetings with the chairman, CEO, the relevant EDs and the line presidents of the operating divisions.

(3) In-house update training or continuing professional development program for the Directors.

(4) Although Mr. Andrew Lo is not a member of the Remuneration Committee, he (being the CEO) was invited to attend Remuneration Committee meetings but was prohibited from voting or being counted as part of the quorum.

EXTERNAL AUDITOR

The Group's independent external auditor is Deloitte Touche Tohmatsu. The external auditor is responsible for auditing and forming an independent opinion on the Group's annual consolidated financial statements.

The Audit Committee reviews and monitors the external auditor's independence and objectivity and the effectiveness of the audit process. It receives a report from the external auditor confirming its independence and objectivity and holds meetings with representatives of the external auditor to consider the scope of its fees, and the scope and appropriateness of non-audit services, if any, to be provided by it. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditor.

For the year ended 31 December 2020, the total fees paid/payable in respect of services provided by Deloitte Touche Tohmatsu were US$1.0 million, comprising fees for audit services US$0.8 million and for non-audit services (including tax filing and advice) US$0.2 million.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to present a balanced, clear and understandable assessment of the financial affairs of the Group in the consolidated financial statements of the annual and interim reports, other price sensitive announcements and other financial disclosures required under the Listing Rules, and to report to the regulators as well as to disclose information required pursuant to statutory requirements. The statement of the external auditor about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates. When the Directors become aware of material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern, such uncertainties would be set out and discussed in detail in this Corporate Governance Report.

The statement of the independent auditor of the Company about its reporting responsibilities and opinion on the consolidated financial statements of the Company for the year ended 31 December 2020 is set out in the Independent Auditor's Report on pages 53 to 57 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring the Group establishes and maintains appropriate, effective risk management and internal control systems. The Board oversees management in the design, implementation and monitoring of the risk management and internal control systems.

The Board's oversight of the Company's risk management and internal control systems is ongoing, and the effectiveness of the Company's risk management and internal control systems is reviewed at least annually then reported to the shareholders pursuant to the requirements of the Listing Rules.

During the year under review, the Board conducted its annual review of the effectiveness of the system of internal control (including financial, operational and compliance control) and risk management, discovered no material defect in internal control, considering the existing system to be effective and adequate. This was achieved primarily through:

- approving the work plan for the risk management function
- reviewing the periodical risk management activity reports
- reviewing the risks register and the updating of the relevant risks
- reviewing reports of movements in key risks

The Company also had adequate resources, qualified staff, training courses and budgets in its accounting, internal audit and financial reporting functions.

The Board acknowledges that it is responsible for the risk management and internal control systems and for reviewing their effectiveness. Such systems have been designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable not absolute assurance against material misstatement or loss.

INTERNAL AUDIT

Reporting to the Audit Committee, the Internal Audit Department (refer to page 36) provides necessary information to assist management and the Audit Committee to assess the effectiveness of the risk management and internal control systems in order to achieve the business objectives and corporate governance requirements of the Group. Internal auditors conduct or support investigations, as required or directed from time to time by the Board or the Audit Committee.

INSIDE INFORMATION

The Group has reviewed the policy and procedures for the handling and dissemination of inside information during the year ended 31 December 2020. The policy provides a general guide to Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and replying to enquiries. Control procedures are implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

COMPANY SECRETARY

During the year under review and up to the date of this report, Mr. Li is the Company Secretary. He reports directly to the Board and is responsible for providing updated, timely information to all Directors.

For the year ended 31 December 2020, Mr. Li has confirmed that he has complied with the training requirements under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The Group aims to establish fair and transparent procedures to afford all shareholders an equal opportunity to exercise their rights in an informed manner and communicate efficiently with the Group. Under the Articles of Association and the relevant policies and procedures of the Group, shareholders have, among others, the following rights:

Convene an Extraordinary General Meeting

General meetings shall be convened on the written requisition of any two or more members deposited at the principal office of the Company in Hong Kong (3/F, Crystal Industrial Building, 71 How Ming Street, Kwun Tong, Kowloon, Hong Kong) or, in the event the Company ceases to have a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company. General meetings may also be convened on the written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong (3/F, Crystal Industrial Building, 71 How Ming Street, Kwun Tong, Kowloon, Hong Kong) or, in the event the Company ceases to have a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company. The Company will take appropriate action and make all necessary arrangements in accordance with the requirements of Article 12.3 of the Company's Articles of Association once a valid requisition is received.

Propose a Person for Election as a Director

The Company has adopted the procedures for shareholders to propose a person for election as a Director with effect from the Listing Date. The procedures are available on the Group's website.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

Pursuant to the code provision E.1.2 as set out in the CG Code, the Company has invited representatives of the external auditor of the Company to attend the AGM of the Company to be convened on 2 June 2021 to answer shareholders' questions relating to the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor independence.

The Board recognises the importance of communication with its shareholders and investors. The Company has established an Investor Relations Department to communicate with research analysts, institutional investors and shareholders in an on-going and timely manner, providing them necessary information, data and services to understand the Company's operations, strategies and development. The Company also issues press releases from time to time and responds to requests for information and queries from the investment community. Current information about the Company including the annual report, announcements, circulars and press releases can be downloaded from the Company's website (www.crystalgroup.com). Enquiries may be put to the Board by either contacting the Investor Relations Department through email at ir@crystalgroup.com or raising questions at a general meeting.

CONSTITUTIONAL DOCUMENT

The Company's Memorandum and Articles of Association ("**M&A**") were amended and restated at 6 October 2017 with effect from the Listing Date. There has been no change to the M&A during the year ended 31 December 2020 and a copy of the M&A is available on the websites of the Company and the Stock Exchange.

AWARDS AND RECOGNITIONS

The Board is pleased to list some of the major awards presented by renowned organisations to the Group during 2020:

Organisation	Recognition/Award
World Benchmarking Alliance	SDG2000: The 2,000 Most Influential Companies for a Sustainable Future
Hong Kong ESG Reporting Awards (HERA) 2020	Best ESG Report – Small-cap Commendation & Excellence in Environmental Positive Impact Commendation
Le Fonti Awards	Excellence of the Year Innovation & Sustainability Lifestyle Wear Factory Asia Pacific
International Finance Corporation	Preliminary Certificate – Excellence in Design for Greater Efficiencies (EDGE)
HR Asia	Best Companies to Work for in Asia 2020
World Wide Fund for Nature (WWF) – Hong Kong	Platinum Label – Low Carbon Manufacturing Programme (LCMP)
Federation of Hong Kong Industries	BOCHK Corporate Environmental Leadership Awards 2019: 5 Years+ EcoPioneer and EcoChallenger

The recognition provided by these awards contributes directly to the Board's determination to ensure the complete compliance of the Group's products and service with the most stringent benchmarks and specifications demanded by key customers. They also contribute towards the Group's ability to benefit from consolidating its base of suppliers, as the Group complies with the tightening regulations and the increasing requirements relating to corporate sustainability in the fast-changing apparel industry.

Glossary

"Annual General Meeting" or "AGM"	the annual general meeting of the Company
"Articles of Association"	the articles of association of the Company restated at 6 October 2017
"Audit Committee" or "AC"	the Audit Committee of the Company
"Board"	the board of directors of the Company
"Board Diversity Policy"	the policy on board diversity of the Company
"CG Code"	the Corporate Governance Code
"Chairman"	the chairman of the Board (unless the context requires otherwise)
"Chief Executive Officer" or "CEO"	the chief executive officer of the Group
"Chief Financial Officer"	the chief financial officer of the Group
"Company Secretary"	the company secretary of the Company
"Controlling Shareholder(s)"	collectively refers to Mr. Kenneth Lo and Mrs. Yvonne Lo
"Corporate Development Committee" or "CDC"	the Corporate Development Committee of the Company
"COVID-19"	the 2019 Novel Coronavirus
"Crystal Group Limited"	Crystal Group Limited, the controlling shareholder of the Company until March 2019 when its entire interests in the Company were distributed to Mr. Kenneth Lo and Mrs. Yvonne Lo
"Crystal International" or "Company", or "We", or "our", or "us"	Crystal International Group Limited, a company incorporated in Bermuda with limited liability and registered by way of continuation in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Director(s)"	the director(s) of the Company
"Executive Directors" or "EDs"	the executive directors of the Company (unless the context requires otherwise)
"Group" or "Crystal Group"	the Company and/or its subsidiaries
"HK$"	Hong Kong dollars

"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Incentive Shares"	128 shares of the Company transferred from Crystal Group Limited to eligible employees pursuant to Share Award Scheme A on 28 December 2016
"Independent Non-executive Directors" or "INEDs"	the independent non-executive directors of the Company (unless the context requires otherwise)
"Listing Date"	3 November 2017
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Masterknit"	Masterknit Limited
"Model Code"	the Model Code for Securities Transactions by directors of Listed Companies
"MPF Scheme"	the Mandatory Provident Fund Scheme in Hong Kong
"Mr. Andrew Lo"	Mr. Lo Ching Leung Andrew
"Mr. Chang"	Mr. Chang George Ka Ki
"Mr. Dennis Wong"	Mr. Wong Sing Wah
"Mr. Eddie Lo"	Mr. Lo Wing Sing Eddie
"Mr. Frankie Wong"	Mr. Wong Chi Fai
"Mr. Griffiths"	Mr. Griffiths Anthony Nigel Clifton
"Mr. Howard Lo"	Mr. Lo Howard Ching Ho
"Mr. Kenneth Lo"	Mr. Lo Lok Fung Kenneth
"Mr. Li"	Mr. Li Wai Kwan
"Mr. Mak"	Mr. Mak Wing Sum Alvin
"Mr. Tse"	Mr. Tse Man Bun Benny
"Mr. Wong"	Mr. Wong Ho
"Mrs. Yvonne Lo"	Mrs. Lo Choy Yuk Ching Yvonne

"Nomination Committee" or "NC"	the Nomination Committee of the Company
"Ordinary Share"	ordinary share(s) of HK$0.01 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
"PRC" or "China"	the People's Republic of China
"Principles"	the principles of good corporate governance (unless the context requires otherwise)
"Reallocation Program"	the program of reallocation of capacity from the PRC to non-PRC production bases
"Remuneration Committee" or "RC"	the Remuneration Committee of the Company
"RMB"	the Renminbi
"SFO"	the Securities and Futures Ordinance of Hong Kong
"Share Award Scheme A"	the Company's share award scheme adopted on 28 December 2016
"Share Award Scheme B"	the Company's share award scheme adopted in April 2017
"Shareholder(s)"	the holder(s) of ordinary share(s) of HK$0.01 each in the issued capital of the Company
"Stock Exchange", "Hong Kong Stock Exchange" or "HKEx"	the Stock Exchange of Hong Kong Limited
"Trustee"	The Core Trust Company Limited, an independent professional trustee
"U.K."	the United Kingdom
"US$"	US Dollars
"United States" or "USA" or "U.S." or "US"	the United States of America
"Vice Chairman"	the vice chairman of the Board
"Vista"	Vista Corp Holdings Limited and its subsidiaries

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Crystal International Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 58 to 145, which comprise the consolidated statement of financial position at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and an intangible asset with indefinite useful life	
We identified the impairment assessment of goodwill and an intangible asset with indefinite useful life, namely brand name, which are allocated to the cash-generating unit ("**CGU**") of Vista Corp Holdings Limited ("**Vista**") as a key audit matter because of the significance of the balances to the consolidated statement of financial position as a whole and the significant degree of judgment made by management in the assessment process. As set out in note 4 to the consolidated financial statements, determining whether goodwill and the intangible asset with indefinite useful life are impaired requires management's estimation of the value in use of the CGU business to which the goodwill and the intangible asset with indefinite useful life have been allocated. The value in use calculation requires the management of the Group to estimate the future cash flows expected to arise from the CGU, which includes key assumptions for cash flow projections, including yearly growth rates of revenue, gross margin, discount rate and management's expectation of market conditions. Where the actual future cash flows are less than expected, a material impairment loss may arise. As set out in notes 15 and 16 to the consolidated financial statements, the carrying amounts of goodwill and the intangible asset with indefinite useful life are US$74,941,000 and US$31,777,000, respectively, at 31 December 2020. The management of the Group determined that there was no impairment in the CGU containing goodwill and the intangible asset with indefinite useful life during the year ended 31 December 2020.	Our procedures in relation to the impairment assessment of goodwill and the intangible asset with indefinite useful life included: • Understanding the entity's key controls in relation to the impairment assessment of goodwill and the intangible asset with indefinite useful life, including the process of preparation of the future cash flow projections and key assumptions adopted by management in the cash flow projections; • Evaluating the appropriateness of the key assumptions in the cash flow projections, including yearly growth rates of revenue, gross margin and management's expectation of market conditions by reference to the historical performance, future business plan of the Group as well as industrial trends; • Involving our internal valuation expert to evaluate the appropriateness of the valuation methodology and the reasonableness of the discount rate used by management by performing re-calculations based on market data and certain company specific parameters; • Obtaining the sensitivity analysis performed by management and assessing the extent of impact on the value in use; and • Evaluating the historical accuracy of the forecasted cash flows by comparing them to actual results in the current year.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Assessment of the net realisable value of inventories	
We identified the assessment of the net realisable value of inventories as a key audit matter due to the significance of the inventories' balance to the consolidated statement of financial position as a whole and the management judgment involved in the determination of the net realisable value. As disclosed in notes 4 and 19 to the consolidated financial statements, inventories are carried at US$235,609,000, which represent approximately 26% and 13% of the Group's current assets and total assets at 31 December 2020, respectively. An expense of US$10,337,000 was recognised in profit or loss to write down the cost of inventories to their net realisable values during the year ended 31 December 2020. As disclosed in note 4 to the consolidated financial statements, the management identified slow-moving and obsolete inventories based on the aged analysis of inventory and recent or subsequent usages/sales and determined the write-down of inventories based on latest selling prices and market conditions.	Our procedures in relation to the assessment of the net realisable value of inventories included: • Obtaining an understanding of the management's process in identifying slow-moving and obsolete inventories and determining the net realisable value of inventories; • Engaging our internal IT specialists to test the accuracy of the inventories aging list in the system generated report and assessing whether slow-moving and obsolete inventories were properly identified after taking into account subsequent sales of finished goods and subsequent usage and consumption of raw materials and work in progress; • Comparing the actual selling prices of finished goods subsequent to year end, on a sample basis, to their carrying amounts to check whether the finished goods are stated at the lower of cost and net realisable value; and • Assessing the historical accuracy of the write-down of inventories to evaluate the appropriateness of the basis used by management in the current year.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Tse Fung Chun.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 US$'000	2019 US$'000
Revenue	5	**1,985,332**	2,427,723
Cost of sales		**(1,599,466)**	(1,965,033)
Gross profit		**385,866**	462,690
Other income, gains or losses		**12,195**	13,236
Impairment losses under expected credit loss model	8	**(12,745)**	–
Selling and distribution expenses		**(18,272)**	(27,621)
Administrative expenses		**(208,796)**	(226,462)
Research and development expenses		**(27,389)**	(32,733)
Finance costs		**(9,968)**	(17,271)
Share of results of an associate		**2,226**	2,483
Profit before tax	6	**123,117**	174,322
Income tax expense	9	**(15,032)**	(22,418)
Profit for the year		**108,085**	151,904
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**19,066**	(7,142)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit assets	27	**(3,117)**	2,364
Deferred tax credit (expense) arising on defined benefit assets		**399**	(532)
(Deficit) surplus on revaluation of properties		**(7,115)**	3,785
Deferred tax credit (expense) arising on revaluation of properties		**1,366**	(160)
		(8,467)	5,457
Other comprehensive income (expense) for the year		**10,599**	(1,685)
Total comprehensive income for the year		**118,684**	150,219
Earnings per share (US cents)	10		
– basic		**3.79**	5.33
– diluted		**3.79**	5.33

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	2020 US$'000	2019 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**618,050**	671,120
Right-of-use assets	13	**57,056**	61,261
Deposits paid for acquisition of property, plant and equipment	14	**9,280**	11,193
Goodwill	15	**74,941**	74,941
Intangible assets	16	**85,859**	90,776
Defined benefit assets	27	**945**	3,238
Interest in an associate	17	**17,158**	19,081
Loan receivables	18	**1,252**	2,063
		864,541	933,673
Current assets			
Inventories	19	**235,609**	275,539
Right-of-use assets	13	**4,094**	3,763
Trade, bills and other receivables	20	**224,409**	326,992
Trade receivables at fair value through other comprehensive income	21	**64,987**	6,515
Amounts due from related companies	30	**684**	1,506
Loan receivables	18	**874**	1,023
Tax recoverable		**3,887**	317
Bank balances and cash	22	**383,427**	266,840
		917,971	882,495
Total assets		**1,782,512**	1,816,168

Consolidated Statement of Financial Position

At 31 December 2020

	Notes	2020 US$'000	2019 US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	**3,654**	3,654
Reserves		**1,160,727**	1,084,364
Total equity		**1,164,381**	1,088,018
Non-current liabilities			
Other payables	24	**1,299**	1,300
Lease liabilities	25	**11,902**	16,458
Deferred taxation	26	**30,376**	32,645
		43,577	50,403
Current liabilities			
Trade, bills and other payables	24	**357,632**	356,401
Lease liabilities	25	**12,183**	13,073
Amount due to an associate	29	**9,578**	11,862
Tax liabilities		**16,753**	18,970
Bank borrowings	28	**178,408**	277,441
		574,554	677,747
Total equity and liabilities		**1,782,512**	1,816,168

The consolidated financial statements on pages 58 to 145 were approved and authorised for issue by the Board of Directors on 18 March 2021 and are signed on its behalf by:

LO Lok Fung Kenneth
DIRECTOR

LO CHOY Yuk Ching Yvonne
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital US$'000	Share premium US$'000	Property revaluation reserve US$'000	Exchange reserve US$'000	Capital reserve US$'000	Share award reserve US$'000	Retained profits US$'000	Total US$'000
At 1 January 2019	3,654	502,850	68,262	(73,536)	9,903	1,671	468,979	981,783
Profit for the year	–	–	–	–	–	–	151,904	151,904
Exchange difference arising on translation of foreign operations	–	–	–	(7,142)	–	–	–	(7,142)
Remeasurement of defined benefit assets	–	–	–	–	–	–	2,364	2,364
Deferred tax expense arising on defined benefit assets	–	–	–	–	–	–	(532)	(532)
Surplus on revaluation of properties	–	–	3,785	–	–	–	–	3,785
Deferred tax expense arising on revaluation of properties	–	–	(160)	–	–	–	–	(160)
Total comprehensive income (expense) for the year	–	–	3,625	(7,142)	–	–	153,736	150,219
Recognition of equity-settled share-based payment expense (note 31)	–	–	–	–	–	858	–	858
Vesting of shares in connection with Share Award Scheme B	–	2,529	–	–	–	(2,529)	–	–
Sale of lapsed shares held by the Trustee under Share Award Scheme B ("**Lapsed Shares**")	–	298	–	–	–	–	–	298
Dividend paid (note 11)	–	–	–	–	–	–	(45,140)	(45,140)
At 31 December 2019	3,654	505,677	71,887	(80,678)	9,903	–	577,575	1,088,018
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**108,085**	**108,085**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**19,066**	**–**	**–**	**–**	**19,066**
Remeasurement of defined benefit assets	**–**	**–**	**–**	**–**	**–**	**–**	**(3,117)**	**(3,117)**
Deferred tax credit arising on defined benefit assets	**–**	**–**	**–**	**–**	**–**	**–**	**399**	**399**
Deficit on revaluation of properties	**–**	**–**	**(7,115)**	**–**	**–**	**–**	**–**	**(7,115)**
Deferred tax credit arising on revaluation of properties	**–**	**–**	**1,366**	**–**	**–**	**–**	**–**	**1,366**
Total comprehensive (expense) income for the year	**–**	**–**	**(5,749)**	**19,066**	**–**	**–**	**105,367**	**118,684**
Dividend paid (note 11)	**–**	**–**	**–**	**–**	**–**	**–**	**(42,321)**	**(42,321)**
Release of property revaluation reserve	**–**	**–**	**(1,323)**	**–**	**–**	**–**	**1,323**	**–**
At 31 December 2020	**3,654**	**505,677**	**64,815**	**(61,612)**	**9,903**	**–**	**641,944**	**1,164,381**

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 US$'000	2019 US$'000
OPERATING ACTIVITIES		
Profit before tax	**123,117**	174,322
Adjustments for:		
Interest income	**(1,823)**	(1,961)
Finance costs	**9,968**	17,271
Depreciation of property, plant and equipment	**77,809**	78,002
Depreciation of right-of-use assets	**14,267**	14,622
Amortisation of intangible asset	**4,917**	4,917
Net loss arising from changes in fair value of derivative financial instruments	**427**	1,438
Loss on disposals of property, plant and equipment	**6,899**	3,651
Gain on termination of leases	**(88)**	(20)
Share of results of an associate	**(2,226)**	(2,483)
Write-down of inventories	**10,337**	12,920
Impairment loss recognised in respect of property, plant and equipment	**10,743**	2,116
Impairment losses under expected credit loss model	**12,745**	–
Share-based payment expense	**–**	858
Operating cash flows before movements in working capital	**267,092**	305,653
Decrease (increase) in inventories	**33,464**	(10,498)
Decrease in trade, bills and other receivables	**93,879**	8,767
(Increase) decrease in trade receivables at fair value through other comprehensive income	**(57,569)**	4,182
Decrease (increase) in amounts due from related companies	**836**	(769)
Increase in defined benefit assets	**(841)**	(777)
Increase in trade, bills and other payables	**11,623**	7,952
(Decrease) increase in amount due to an associate	**(2,284)**	8,255
Cash generated from operations	**346,200**	322,765
Profits tax paid	**(22,346)**	(9,307)
NET CASH FROM OPERATING ACTIVITIES	**323,854**	313,458

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 US$'000	2019 US$'000
INVESTING ACTIVITIES			
Payment for property, plant and equipment		**(57,971)**	(110,289)
Payment on settlement of derivative financial instruments		**(427)**	(8,884)
Proceeds on disposal of property, plant and equipment		**8,050**	6,292
Loan repayment from an associate		**2,500**	–
Interest received		**1,823**	1,961
Dividend received from an associate		**1,612**	–
Loan receivables received		**1,025**	741
Loan receivables advanced		**–**	(1,307)
NET CASH USED IN INVESTING ACTIVITIES		**(43,388)**	(111,486)
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(348,780)**	(581,265)
Dividend paid		**(42,321)**	(45,140)
Repayment of lease liabilities		**(15,217)**	(14,826)
Interest paid		**(9,968)**	(17,271)
New bank borrowings raised		**255,231**	418,633
Proceeds from sale of Lapsed Shares		**–**	298
NET CASH USED IN FINANCING ACTIVITIES		**(161,055)**	(239,571)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**119,411**	(37,599)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**3,805**	(2,081)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**260,211**	299,891
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**383,427**	260,211
Represented by:			
Bank balances and cash		**383,427**	266,840
Bank overdrafts	28	**–**	(6,629)
		383,427	260,211

For the year ended 31 December 2020

1. GENERAL INFORMATION

Crystal International Group Limited (the "**Company**") was previously incorporated in Bermuda as an exempted company with limited liability and registered by way of continuation in the Cayman Islands as an exempted company with limited liability. The Company is directly held by its controlling shareholders, Mr. LO Lok Fung Kenneth and Mrs. LO CHOY Yuk Ching Yvonne, both executive directors of the Company. The address of the registered office of the Company is Ugland House, P.O. Box 309, Grand Cayman KY1-1104, Cayman Islands and the principal place of business of the Company is 3/F, Crystal Industrial Building, 71 How Ming Street, Kwun Tong, 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.

The Company is an investment holding company and the principal activities of its principal subsidiaries and associate are set out in notes 38 and 17 respectively.

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the "Amendments to References to the Conceptual Framework in IFRS Standards" and the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

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

Impacts on application of Amendments to IAS 1 and IAS 8 "Definition of Material"

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

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

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

New and amendments to IFRSs in issue but not yet effective

The Group has not applied early the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2021

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2"relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying IFRS 7 "Financial Instruments: Disclosures" to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial labilities and lease liabilities.** A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRSs requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16;

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform – Phase 2" (Continued)

- **Hedge accounting requirements.** Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedge risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

At 31 December 2020, the Group has several London Interbank Offered Rate ("**LIBOR**") or Hong Kong Interbank Offered Rate ("**HIBOR**") bank loans which will or may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The 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 at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with IFRS 16 "Leases" ("**IFRS 16**"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets" ("**IAS 36**").

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units ("**CGUs**") or groups of CGUs that is expected to benefit from the synergies of the combination, which represents the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment.

A CGU or groups of CGUs to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU or groups of CGUs to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than the carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the CGU or groups of CGUs.

On disposal of the relevant CGU or any of the CGUs within the groups of CGUs, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the CGU or a CGU within the groups of CGUs, the amount of goodwill disposed of is measured on the basis of the relative values of the operation or the CGU disposed of and the portion of the CGU or the groups of CGUs retained.

Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of an associate used for equity accounting purposes are prepared using accounting policies that are uniform with those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes result in changes in ownership interest held by the Group. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Investment in an associate (Continued)

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (the higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any impairment loss is recognised immediately in profit or loss. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9 "Financial Instruments" ("**IFRS 9**"), the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposal of the interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interest in the associate that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies a practical expedient not to separate non-lease components from the lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Right-of-use assets

The costs of right-of-use assets include:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which they are located or restoring the underlying assets to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of their lease terms are depreciated from commencement dates to the end of the useful lives. Otherwise, right-of-use assets are depreciated on a straight line basis over the shorter of their estimated useful lives and the lease terms.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments which are payments that may, in form, contain variability but that, in substance, are unavoidable) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the Group considers it will probably exercise the termination option.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use asset) when there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liabilities are remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use assets.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications (Continued)

When a modification is made to a lease that is not accounted for as a separate lease, the Group remeasures the lease liability less any lease incentives receivable based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from a lessor by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than freehold lands and construction in progress) and are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group pays for ownership interests of properties which include both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between the non-lease building element and the undivided interest in the underlying leasehold land, the entire consideration is classified as property, plant and equipment.

Any revaluation increase arising on the revaluation of leasehold land and owned properties is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of an item of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, any attributable revaluation surplus is transferred to retained profits.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Property, plant and equipment (Continued)

Depreciation is recognised to write off the cost or revalued amounts of items of property, plant and equipment (other than construction in progress and freehold land) less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is recognised as an expense in the period in which it is incurred when there is no internally-generated intangible asset arising from development activities.

Intangible assets

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually and whenever there is an indication that they may be impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment losses on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

The recoverable amounts of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to the relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or groups of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or groups of CGUs.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. For corporate assets or a portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of groups of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to those groups of CGUs, with the recoverable amount of the groups of CGUs. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or groups of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or groups of CGUs. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or groups of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU or groups of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories is determined on the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation of which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes financial assets), all the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interest in an associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interest are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purpose of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "Income Taxes" requirements to the right-of-use assets and lease liabilities separately. Temporary differences relating to the right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied on the same taxable entity by the same taxation authority.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant taxation authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income, gains or losses" line item.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to have the contributions made.

For the defined benefit plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Employee benefits (Continued)

Retirement benefit costs (Continued)

Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained profits and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs. When determining past service cost, or a gain or loss on settlement, the Group remeasures the net defined benefit liability or asset using the current fair value of plan assets and current actuarial assumptions in valuing plan liabilities and the consequent plan surplus or deficit before and after the plan amendment, curtailment or settlement, no consideration is given to the effect of the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. If the Group remeasures the net defined benefit liability or asset before the plan amendment, curtailment or settlement, the Group determines the net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement. In doing so, the Group uses the discount rate used to remeasure such net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period resulting from contributions or benefit payments.

Defined benefit costs are categorised as service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements), net interest expense or income and remeasurement.

The retirement benefit obligation or asset recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plan. Any such surplus is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Termination benefits

Termination benefits result from either the Group's decision to terminate an employee's employment or an employee's decision to accept the Group's offer of benefits in exchange for termination of employment. The Group recognises a liability for benefits at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Employee benefits (Continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees render the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed to profit or loss on a straight line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (capital reserve or share award reserve). At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share award reserve.

For grants of shares that vest immediately at the date of grant, the fair value of the awarded shares is recognised immediately in profit or loss.

When the awarded shares vest and are transferred to the awardees, the amount previously recognised in the share award reserve is transferred to share premium.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers, which are initially measured in accordance with IFRS 15 "Revenue from Contracts with Customers" ("**IFRS 15**"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("**FVTPL**").

(i) Interest income recognised on financial assets at amortised cost and FVTOCI

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in other comprehensive income ("**OCI**"). Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these receivables. The amounts that are recognised in profit or loss are the same amounts that would have been recognised in profit or loss if these receivables had been measured at amortised cost. When these receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated at FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of the reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other income, gains or losses" line item.

Impairment of financial assets and financial guarantee contract

The Group performs impairment assessment under the expected credit loss ("**ECL**") model on financial assets (including trade, bills and other receivables, loan advanced to an associate, trade receivables at FVTOCI, loan receivables, amounts due from related companies, bank balances) and financial guarantee contract which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12–month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are made based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without any significant financing component. The ECL on these assets is assessed individually for debtors with significant balances.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and financial guarantee contract (Continued)

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and financial guarantee contract (Continued)

(i) Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the end of the reporting period. A financial asset is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' in accordance with globally understood definitions.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of corporate guarantee, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the Group is able to identify significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above assessment, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and financial guarantee contract (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed in liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For financial guarantee contracts, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost of the financial asset.

Except for trade receivables at FVTOCI and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For trade receivables at FVTOCI, the loss allowance is recognised in OCI without reducing the carrying amount of these receivables. Such amount represents the changes in relation to accumulated loss allowance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of receivables classified as at FVTOCI, the cumulative gain or loss previously accumulated in the financial instruments revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities other than derivatives (including trade, bills and other payables, amount due to an associate and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Corporate guarantee liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is credited or charged to profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Determination on lease terms of contracts with extension or termination options

The Group applies judgment to determine the lease terms for lease contracts in which it is a lessee that include extension or termination options. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. Lease is considered no longer enforceable when the Group as the lessee and lessor both have the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

The assessment of whether the Group is reasonably certain to exercise extension or termination options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed when a significant event or a significant change in circumstances occurs affecting the assessment and that is within the control of the lessee.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgments in applying accounting policies (Continued)

Determination on lease terms of contracts with extension or termination options (Continued)

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below market rates);
- the extent of leasehold improvements undertaken by the Group; and
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

During the year ended 31 December 2020, no (2019: no) additional/reduction of right-of-use assets and lease liabilities have been recognised in relation to the exercise of the extension or termination options.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment assessment of goodwill and intangible assets

Customer relationship with finite useful life is reviewed for impairment when events or circumstances indicate the carrying value may not be recoverable at the end of the reporting period. In the opinion of the directors of the Company, there are no indicators of impairment (including adverse changes to financial performance such as profit margin, adverse changes to continuing customer portfolios etc.) identified for customer relationship at 31 December 2020.

Goodwill and brand name with an indefinite useful life are reviewed for impairment annually, irrespective of whether there is any indication that they may be impaired. Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable amount of the CGU to which the goodwill and intangible assets have been allocated. The recoverable amount of the CGU at the end of the reporting period is based on the higher of the fair value less costs of disposal and value in use. The value in use calculation requires the management of the Group to estimate the future cash flows expected to arise from the CGU, which includes key assumptions for cash flow projections including yearly growth rates of revenue, gross margin, discount rate and management's expectation of market conditions. Where the actual future cash flows are less than expected, a material impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties in the current year due to uncertainty on how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operation.

The Group has not recognised an impairment loss during the year since the recoverable amount of the CGU of Vista Corp Holdings Limited ("**Vista**"), which includes goodwill and intangible assets, exceeds its carrying amount.

At 31 December 2020, the carrying amounts of goodwill and intangible assets are US$74,941,000 and US$85,859,000 (2019: US$74,941,000 and US$90,776,000), respectively (see notes 15 and 16).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Assessment of the net realisable value of inventories

Inventories are stated at the lower of cost and net realisable values. The management of the Group is required to exercise judgment in identifying slow-moving and obsolete inventories and to determine the write-down of inventories based on the latest selling prices and market conditions at the end of the year. The identification of slow-moving and obsolete inventories is based on the aged analysis of inventory and recent or subsequent usages/sales. When the actual net realisable values are lower than expectation, such difference will impact the carrying amounts of inventories.

At 31 December 2020, the carrying amount of inventories is US$235,609,000 (2019: US$275,539,000) (see note 19). During the year ended 31 December 2020, an expense of US$10,337,000 (2019: US$12,920,000) was recognised in profit or loss to write down the cost of inventories to their net realisable values.

Fair value measurement of land and owned properties

Certain of the Group's land and owned properties are measured at fair value for financial reporting purposes. The directors of the Company are responsible for determining the appropriate valuation techniques and inputs for fair value measurement.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Whilst the Group consider these valuations are the best estimates, the ongoing COVID–19 pandemic has resulted in greater market volatility and may cause further disruptions to the Group's business, which have led to higher degrees of uncertainty in respect of the valuations in the current year. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of properties. Note 12 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of fair value of the properties. Changes in inputs and assumptions could result in material adjustments to the fair value of the properties.

At 31 December 2020, the carrying amounts of the land and owned properties at valuation are US$335,315,000 (2019: US$331,625,000) (see note 12).

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at cost less accumulated depreciation and impairment, if any. The directors of the Company review their carrying amounts whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable at the end of the reporting period. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment of property, plant and equipment and right-of-use assets (Continued)

In determining whether an asset is impaired, the directors of the Company have to exercise judgment and estimate, particularly in assessing: (1) whether an event has occurred or there is any indicator that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows from the continuous use of the asset, which are estimated using an appropriate discount rate and other key assumptions in the cash flow projection. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the directors of the Company estimate the recoverable amount of the CGU to which the asset belongs. Changing the assumptions and estimates, including the discount rate or the growth rate in the cash flow projection, could materially affect the recoverable amount. Furthermore, the cash flow projections, growth rate and discount rate are subject to greater uncertainties in the current year due to uncertainty about how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's operation.

After considering the events and circumstances mentioned in notes 6 and 12 which indicate the carrying amounts of certain property, plant and equipment may not be recovered, an impairment loss of US$10,743,000 (2019: US$2,116,000) was recognised in profit or loss during the year ended 31 December 2020. In the opinion of the directors of the Company, there was no other indicator of impairment (including obsolescence or physical damage, low utilisation rate of property, plant and equipment etc.) identified for the property, plant and equipment and right-of-use assets at the end of the reporting period.

At 31 December 2020, the carrying amounts of property, plant and equipment and right-of-use assets are US$618,050,000 (2019: US$671,120,000) and US$61,150,000 (2019: US$65,024,000), respectively, after taking into account the impairment loss of US$10,743,000 (2019: US$2,116,000) in respect of property, plant and equipment during the year ended 31 December 2020 (see note 12).

Provision of ECL for trade receivables

Trade receivables are assessed for ECL individually. The provision rates are based on the Group's historical default rates and forward-looking information that is reasonable, supportable and available without undue cost or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. Due to greater financial uncertainty triggered by the COVID–19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates. The information about the ECL and the Group's trade receivables is disclosed in note 33.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Assessment of the useful lives of intangible assets

Intangible asset with a finite useful life

The intangible asset of the Group with a finite useful life represents the customer relationship arising from the acquisition of Vista, which is amortised on a straight line basis over the estimated useful life of the asset. The useful life of the customer relationship was determined with reference to a number of factors, including the useful lives of similar intangible assets, historical customer data, and management's experience and industry knowledge. The estimated useful life will be revised if there are significant changes from previous estimates. The carrying amount of the customer relationship is US$54,082,000 (2019: US$58,999,000) at 31 December 2020 (see note 16).

Intangible asset with an indefinite useful life

The intangible asset with an indefinite useful life of the Group represents the brand name arising from the acquisition of Vista. The brand name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows to the Group indefinitely taking into account the long history of Vista's operation.

The useful life of the brand name could change significantly as a result of the regulatory and commercial environment. When the useful life of the brand name becomes finite due to the change in regulatory and commercial environment, the brand name may be impaired and will be amortised based on the estimated useful life. The carrying amount of the brand name is US$31,777,000 (2019: US$31,777,000) at 31 December 2020 (see note 16).

5. 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).

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

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information

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

(i) Lifestyle wear

(ii) Denim

(iii) Intimate

(iv) Sportswear and outdoor apparel

(v) Sweater

(vi) Others

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

Segment revenue and results

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

Year ended 31 December 2020

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Segment revenue and results (Continued)

Year ended 31 December 2019

	Lifestyle wear US$'000	Denim US$'000	Intimate US$'000	Sportswear and outdoor apparel US$'000	Sweater US$'000	Others US$'000	Total US$'000
SEGMENT REVENUE							
External sales	941,618	583,342	427,664	244,189	223,201	7,709	2,427,723
Segment profit	185,520	101,024	88,384	45,812	36,304	5,646	462,690
Other income, gains or losses							13,236
Selling and distribution expenses							(27,621)
Administrative expenses							(226,462)
Research and development expenses							(32,733)
Finance costs							(17,271)
Share of results of an associate							2,483
Profit before tax							174,322

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of other income, gains or losses, impairment losses under expected credit loss model, selling and distribution expenses, administrative expenses, research and development expenses, finance costs, and share of results of an associate. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

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

Segment assets and liabilities

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

5. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment information (Continued)

Revenue from major customers

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

	Segment	2020 US$'000	2019 US$'000
Customer A	Lifestyle wear, Denim, Intimate, Sportswear and outdoor apparel and Sweater	**760,129**	919,557

Geographical information

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

	2020 US$'000	2019 US$'000
Asia Pacific (note i)	**865,968**	968,345
United States	**692,556**	905,674
Europe (note ii)	**328,555**	440,932
Other countries/regions	**98,253**	112,772
	1,985,332	2,427,723

Notes:

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

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

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

	2020 US$'000	2019 US$'000
Asia Pacific (note i)	**846,031**	902,323
Europe (note ii)	**188**	7,424
	846,219	909,747

Notes:

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

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

6. PROFIT BEFORE TAX

	2020 US$'000	2019 US$'000
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments (note 7)	**3,851**	6,638
Other staff costs	**435,882**	529,860
Redundancy costs (notes a and b)	**13,534**	11,941
Retirement benefit schemes contributions for other staff	**42,206**	50,290
Total staff costs (note e)	**495,473**	598,729
Auditors' remuneration:		
– audit services	**1,076**	1,066
– non-audit services	**408**	354
Cost of inventories recognised as expenses (note e)	**1,589,129**	1,952,113
Write-down of inventories	**10,337**	12,920
Depreciation of property, plant and equipment (note e)	**77,809**	78,002
Depreciation of right-of-use assets (note e)	**14,267**	14,622
Amortisation of intangible asset (included in selling and distribution expenses)	**4,917**	4,917
Impairment loss recognised in respect of property, plant and equipment (notes b and c)	**10,743**	2,116
Loss on disposals of property, plant and equipment	**6,899**	3,651
Gain on termination of leases	**(88)**	(20)
Net loss arising from changes in fair value of derivative financial instruments	**427**	1,438
Interest income	**(1,823)**	(1,961)
Net foreign exchange loss	**5,144**	1,436
Government grants (note d)	**(10,100)**	(1,986)
Finance costs:		
– interest expense on lease liabilities	**1,693**	2,143
– interest on bank borrowings	**6,944**	14,035
– interest on factoring arrangement	**1,331**	1,093

Notes:

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

(b) As detailed in the voluntary announcement made by the Company on 12 June 2019, the directors of the Company reviewed the Group's manufacturing platform and had decided to increase the pace of the program of reallocation of production capacity from the PRC to non-PRC production bases (the "**Reallocation Program**"). During the year ended 31 December 2019, as a result of the Reallocation Program, an aggregate amount of US$14,057,000, including redundancy costs amounting to US$11,941,000 and impairment loss recognised in respect of property, plant and equipment amounting to US$2,116,000, was charged to profit or loss.

6. PROFIT BEFORE TAX (Continued)

Notes: (Continued)

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

(d) During the year ended 31 December 2020, the Group recognised government grants of US$2,436,000 and included them in the "other income, gains or losses" line item, which relate to the Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region. The remaining are the government grants from government authorities in different countries to support the operations of subsidiaries of the Company.

(e) 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.

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

Details of the emoluments paid or payable to the directors of the Company during the current year are as follows:

	Fees US$'000	Salaries and allowances US$'000	Performance-based bonuses US$'000 (note iii)	Retirement benefit schemes contributions US$'000	Total US$'000
For the year ended 31 December 2020					
Executive directors (note i):					
Mr. LO Lok Fung Kenneth	–	710	–	–	710
Mrs. LO CHOY Yuk Ching Yvonne	–	369	–	–	369
Mr. LO Ching Leung Andrew (note iv)	–	772	294	13	1,079
Mr. WONG Chi Fai	–	291	150	16	457
Mr. WONG Sing Wah	–	719	257	39	1,015
Independent non-executive directors (note ii):					
Mr. GRIFFITHS Anthony Nigel Clifton	61	–	–	–	61
Mr. TSE Man Bun Benny	50	–	–	–	50
Mr. CHANG George Ka Ki	53	–	–	–	53
Mr. MAK Wing Sum Alvin	57	–	–	–	57
	221	2,861	701	68	3,851

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Directors' emoluments (Continued)

	Fees US$'000	Salaries and allowances US$'000	Performance-based bonuses US$'000 (note iii)	Retirement benefit schemes contributions US$'000	Total US$'000
For the year ended 31 December 2019					
Executive directors (note i):					
Mr. LO Lok Fung Kenneth	–	772	–	–	772
Mrs. LO CHOY Yuk Ching Yvonne	–	365	–	–	365
Mr. LO Ching Leung Andrew (note iv)	–	809	1,411	15	2,235
Mr. WONG Chi Fai	–	355	554	20	929
Mr. WONG Sing Wah	–	730	1,336	39	2,105
Independent non-executive directors (note ii):					
Mr. GRIFFITHS Anthony Nigel Clifton	74	–	–	–	74
Mr. TSE Man Bun Benny	50	–	–	–	50
Mr. CHANG George Ka Ki	52	–	–	–	52
Mr. MAK Wing Sum Alvin	56	–	–	–	56
	232	3,031	3,301	74	6,638

Notes:

(i) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(ii) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

(iii) The amounts represent performance-based bonuses paid to the directors to reward their contributions to the Group, based on the performance of the Group.

(iv) Mr. LO Ching Leung Andrew is also the Chief Executive Officer of the Company during the years ended 31 December 2020 and 2019.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2020 and 2019.

The Group has been providing accommodation, which is leased from companies controlled by certain directors of the Company, for directors and their family members to use at no charge. The estimated money value of the benefit in kind is approximately US$1,260,000 (2019: US$1,248,000).

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

Five highest paid individuals' emoluments

The five individuals with the highest emoluments in the Group include 3 (2019: 3) directors of the Company. The emoluments of the five highest paid individuals are as follows:

	2020 **US$'000**	2019 US$'000
Salaries and allowances	**2,991**	2,673
Performance-based bonuses (note)	**1,549**	4,225
Retirement benefit schemes contributions	**86**	103
Share-based payment expense	**–**	119
	4,626	7,120

Note: The amounts represent performance-based bonuses paid to the five highest paid individuals to reward their contributions to the Group.

Their emoluments were within the following bands (presented in Hong Kong dollars ("**HK$**")):

	Number of directors		**Number of employees**	
	2020	2019	**2020**	2019
HK$5,500,001 to HK$6,000,000	**1**	–	**–**	–
HK$6,500,001 to HK$7,000,000	**–**	–	**–**	1
HK$7,000,001 to HK$7,500,000	**–**	1	**2**	–
HK$7,500,001 to HK$8,000,000	**1**	–	**–**	1
HK$8,000,001 to HK$8,500,000	**1**	–	**–**	–
HK$16,000,001 to HK$16,500,000	**–**	1	**–**	–
HK$17,500,001 to HK$18,000,000	**–**	1	**–**	–
	3	3	**2**	2

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company has waived any emoluments during the years ended 31 December 2020 and 2019.

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

	2020 US$'000	2019 US$'000
Impairment losses recognised in respect of		
– trade receivables at amortised cost	**11,942**	–
– other receivables	**803**	–
	12,745	–

Details of impairment assessment are set out in note 33.

9. INCOME TAX EXPENSE

	2020 US$'000	2019 US$'000
The income tax expense comprises:		
Hong Kong Profits Tax		
– current year	**6,506**	10,222
– (over)underprovision in prior years	**(260)**	95
Overseas taxation		
– current year	**12,029**	12,403
– (over)underprovision in prior years	**(1,796)**	256
	16,479	22,976
Deferred taxation (note 26)	**(1,447)**	(558)
	15,032	22,418

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.

Certain subsidiaries incorporated in Macau are registered and regulated by the Decree Law No. 58/99/M applicable to Macao offshore commercial activities and are exempted from Macao Complementary Tax.

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.

9. INCOME TAX EXPENSE (Continued)

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 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 income tax expense for the year can be reconciled to profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 **US$'000**	2019 US$'000
Profit before tax	**123,117**	174,322
Tax at the Hong Kong Profits Tax rate of 16.5%	**20,314**	28,763
Tax effect of expenses not deductible for tax purpose	**9,268**	9,473
Tax effect of income not taxable for tax purpose	**(4,014)**	(1,674)
Tax effect of tax losses not recognised	**1,438**	–
Tax effect of deductible temporary differences not recognised	**2,792**	–
Utilisation of tax losses previously not recognised	**(891)**	(1,552)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,296)**	622
Effect of tax exemptions granted to subsidiaries operating in other jurisdictions	**(10,523)**	(13,565)
(Over)underprovision in prior years	**(2,056)**	351
Income tax expense for the year	**15,032**	22,418

Details of deferred taxation are set out in note 26.

10. EARNINGS PER SHARE

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

	2020	2019
	US$'000	US$'000
Earnings:		
Profit for the year attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	**108,085**	151,904
	'000	'000
Number of shares:		
Number of ordinary shares in issue (note a)	**2,852,822**	2,852,822
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (note b)	**2,852,822**	2,849,170
Effect of dilutive potential ordinary shares:		
– Share Award Scheme B	**–**	3,139
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,852,822**	2,852,309

Notes:

(a) In November 2017, the Company issued 13,062,000 ordinary shares to the participants under the Share Award Scheme B held by the Trustee (as defined in note 31) until the participants fulfilled the condition of service period specified in the Share Award Scheme B. All the share awards held by employees under Share Award Scheme B were vested at 3 November 2019. For illustration purposes, the earnings per ordinary share in issue for the year ended 31 December 2019 were US5.32 cents.

(b) The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2019 has been arrived at after deducting the number of shares held by the Trustee under Share Award Scheme B as set out in note 31.

11. DIVIDENDS

	2020 US$'000	2019 US$'000
Final, paid – HK8.5 cents per ordinary share for 2019 (2019: HK8.4 cents per ordinary share for 2018)	**31,288**	30,618
Interim, paid – HK3 cents per ordinary share for 2020 (2019: HK4 cents per ordinary share for 2019)	**11,033**	14,522
	42,321	45,140

Subsequent to the end of the reporting period, a special dividend of HK5.0 cents (2019: nil) per ordinary share in total of approximately HK$142,641,000 (equivalent to approximately US$18,399,000) (2019: nil) has been proposed by the directors of the Company and is subject to approval by the Shareholders in the forthcoming annual general meeting.

A final dividend of HK5.8 cents (2019: HK8.5 cents) per ordinary share in total of approximately HK$165,464,000 (equivalent to approximately US$21,343,000) (2019: HK$242,490,000 (equivalent to approximately US$31,288,000)), in respect of the year ended 31 December 2020 has been proposed by the directors of the Company and is subject to approval by the Shareholders in the forthcoming annual general meeting.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and owned properties US$'000	Leasehold improvements US$'000	Plant and machinery US$'000	Furniture, fixtures and office equipment US$'000	Motor vehicles US$'000	Computer equipment and software US$'000	Construction in progress US$'000	Total US$'000
COST OR VALUATION								
At 1 January 2019	280,868	63,762	354,804	95,189	7,436	41,549	134,356	977,964
Exchange realignment	(2,777)	(639)	(2,449)	(810)	(33)	(150)	(810)	(7,668)
Additions	4,989	1,401	35,695	4,085	456	2,682	41,717	91,025
Transfers	66,075	428	22,797	4,396	(10)	945	(94,631)	–
Disposals	(97)	(4,462)	(12,260)	(5,057)	(353)	(1,021)	–	(23,250)
Deficit on revaluation	(7,044)	–	–	–	–	–	–	(7,044)
At 31 December 2019	**342,014**	**60,490**	**398,587**	**97,803**	**7,496**	**44,005**	**80,632**	**1,031,027**
Exchange realignment	**7,175**	**2,750**	**9,841**	**3,430**	**182**	**1,282**	**305**	**24,965**
Additions	**1,883**	**679**	**14,664**	**2,556**	**21**	**1,354**	**23,462**	**44,619**
Transfers	**19,213**	**367**	**8,067**	**651**	**89**	**421**	**(28,808)**	**–**
Disposals	**(5,294)**	**(1,047)**	**(9,972)**	**(8,028)**	**(269)**	**(835)**	**(6,677)**	**(32,122)**
Deficit on revaluation	**(20,143)**	**–**	**–**	**–**	**–**	**–**	**–**	**(20,143)**
At 31 December 2020	**344,848**	**63,239**	**421,187**	**96,412**	**7,519**	**46,227**	**68,914**	**1,048,346**
Comprising:								
At cost	**9,533**	**63,239**	**421,187**	**96,412**	**7,519**	**46,227**	**68,914**	**713,031**
At valuation	**335,315**	**–**	**–**	**–**	**–**	**–**	**–**	**335,315**
At 31 December 2020	**344,848**	**63,239**	**421,187**	**96,412**	**7,519**	**46,227**	**68,914**	**1,048,346**
Comprising:								
At cost	10,389	60,490	398,587	97,803	7,496	44,005	80,632	699,402
At valuation	331,625	–	–	–	–	–	–	331,625
At 31 December 2019	342,014	60,490	398,587	97,803	7,496	44,005	80,632	1,031,027
DEPRECIATION AND IMPAIRMENT								
At 1 January 2019	2,920	36,049	161,999	70,570	5,073	30,622	–	307,233
Exchange realignment	(875)	(470)	(1,134)	(671)	(33)	(125)	–	(3,308)
Impairment loss recognised (note i)	–	1,185	669	143	20	99	–	2,116
Provided for the year	11,707	8,376	41,835	9,495	910	5,679	–	78,002
Eliminated on disposals	(85)	(2,511)	(4,701)	(4,801)	(261)	(948)	–	(13,307)
Eliminated on revaluation	(10,829)	–	–	–	–	–	–	(10,829)
At 31 December 2019	**2,838**	**42,629**	**198,668**	**74,736**	**5,709**	**35,327**	**–**	**359,907**
Exchange realignment	**102**	**2,152**	**5,495**	**2,991**	**164**	**1,134**	**–**	**12,038**
Impairment loss recognised (note ii)	**3,050**	**74**	**5,826**	**1,502**	**15**	**276**	**–**	**10,743**
Provided for the year	**13,779**	**6,732**	**43,196**	**8,521**	**706**	**4,875**	**–**	**77,809**
Eliminated on disposals	**(991)**	**(683)**	**(6,542)**	**(7,884)**	**(266)**	**(807)**	**–**	**(17,173)**
Eliminated on revaluation	**(13,028)**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,028)**
At 31 December 2020	**5,750**	**50,904**	**246,643**	**79,866**	**6,328**	**40,805**	**–**	**430,296**
CARRYING VALUES								
At 31 December 2020	**339,098**	**12,335**	**174,544**	**16,546**	**1,191**	**5,422**	**68,914**	**618,050**
At 31 December 2019	339,176	17,861	199,919	23,067	1,787	8,678	80,632	671,120

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Notes:

(i) For the year ended 31 December 2019, as a result of the Reallocation Program, the Group carried out a review of the recoverable amount of the related property, plant and equipment being fair value less costs of disposal. The directors of the Company considered that the recoverable amount of the relevant assets was minimal upon disposal and an impairment loss of approximately US$2,116,000 was fully recognised in profit or loss.

(ii) For the year ended 31 December 2020, as a result of the restructuring of CMUK Division, the Group carried out a review of the recoverable amount of the related property, plant and equipment being fair value less costs of disposal. The directors of the Company considered that the recoverable amount of the relevant assets was minimal upon disposal and an impairment loss of approximately US$10,743,000 was recognised in profit or loss.

(iii) At 31 December 2020, for buildings with carrying values of US$3,985,000 (2019: US$4,014,000), no real estate title certificate has been issued. The Group is in the process of applying for the building ownership certificates.

The above items of property, plant and equipment, except for freehold land and construction in progress, are depreciated on a straight line basis at the following rates per annum:

Owned properties	1–5%
Leasehold improvements	5–20% or over the term of the relevant lease, if shorter
Plant and machinery	10–50%
Furniture, fixtures and office equipment	12½–50%
Motor vehicles	20–25%
Computer equipment and software	20–33½%

Fair value measurement of the Group's owned properties

Certain of the Group's owned properties were valued on 31 December 2020 and 2019 by independent firms of professional property valuers not related to the Group. The fair values of certain owned properties in Bangladesh, Cambodia and Singapore were determined based on the market comparable approach reflecting recent transaction prices for similar properties, adjusted for differences in the nature, location and condition of certain owned properties under review. The fair values of certain owned properties in the PRC, Cambodia, Sri Lanka and Vietnam were determined based on the depreciated replacement cost approach by estimating the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation. The fair value of certain owned properties in Sri Lanka and Vietnam were determined based on the income capitalisation approach by converting expected income for owned properties to current value in accordance with relevant discount rates. There has been no change to the valuation technique during the year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

For the market comparable approach, the key unobservable input used in valuing the owned properties was the price per square metre, which ranged from US$22 to US$1,362 (2019: US$22 to US$1,436). A slight increase in the price per square metre used would result in a significant increase in the fair value measurement of the owned properties, and vice versa.

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement of the Group's owned properties (Continued)

For the depreciated replacement cost approach, the key unobservable input used in valuing the owned properties was the replacement cost per square metre, which ranged from US$106 to US$323 (2019: US$44 to US$309). A slight increase in the replacement cost per square metre used would result in a significant increase in the fair value measurement of the owned properties, and vice versa.

For the income capitalisation approach, the two key unobservable inputs used are the capitalisation rates and monthly market rent, which ranged from 5.5% to 9.0% (2019: 6.0%) and US$4,000 to US$47,000 (2019: US$6,000 to US$46,000), respectively. A slight decrease in the capitalisation rate or increase in monthly market rent would result in a significant increase in the fair value measurement, and vice versa.

Details of the Group's owned properties and information about the fair value hierarchy at 31 December 2020 and 2019 are as follows:

	Level 3 US$'000	**Fair value at 31.12.2020 US$'000**	Level 3 US$'000	Fair value at 31.12.2019 US$'000
Owned properties outside Hong Kong	**335,315**	**335,315**	331,625	331,625

The reconciliation of the fair value changes of the Group's owned properties:

	US$'000
At 1 January 2019	270,359
Addition	4,406
Transfer from construction in progress	66,075
Disposal	(12)
Depreciation provided for the year	(11,093)
Increase in fair value recognised in other comprehensive income	3,785
Exchange realignment	(1,895)
At 31 December 2019	331,625
Addition	1,883
Transfer from construction in progress	19,213
Disposal	(4,303)
Depreciation provided for the year	(13,004)
Decrease in fair value recognised in other comprehensive income	(7,115)
Exchange realignment	7,016
At 31 December 2020	335,315

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement of the Group's owned properties (Continued)

There were no transfers into or out of Level 3 during both years.

Had owned properties at valuation been carried at cost less accumulated depreciation, the aggregate carrying values of owned properties would have been approximately US$258,815,000 (2019: US$252,051,000).

At 31 December 2020, owned properties with carrying values of approximately US$4,739,000 (2019: US$10,540,000) have been pledged to banks to secure general banking facilities granted to the Group.

13. RIGHT-OF-USE ASSETS

	Leasehold land US$'000	Leasehold buildings US$'000	Plant and machinery US$'000	Office equipment US$'000	Motor vehicles US$'000	Total US$'000
At 31 December 2020						
Carrying amount	**43,189**	**16,766**	**500**	**459**	**236**	**61,150**
At 31 December 2019						
Carrying amount	42,735	20,877	500	420	492	65,024
For the year ended 31 December 2020						
Depreciation charge	**1,271**	**11,887**	**492**	**180**	**437**	**14,267**
For the year ended 31 December 2019						
Depreciation charge	1,176	12,411	527	119	389	14,622

	2020 US$'000	2019 US$'000
Analysed for reporting purposes as:		
Non-current assets	**57,056**	61,261
Current assets	**4,094**	3,763
	61,150	65,024

During the year ended 31 December 2020, the total cash outflows for leases (representing payments of principal and interest) and additions to right-of-use assets were US$16,910,000 and US$11,136,000 (2019: US$16,969,000 and US$15,315,000), respectively.

For both years, the Group has leased various offices, factories, warehouses, equipment, staff quarters and vehicles for its operations. Lease contracts are entered into for fixed terms of 1 month to 60 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

13. RIGHT-OF-USE ASSETS (Continued)

The Group has extension and/or termination options for several leases of factories and staff quarters. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

At the lease commencement date, the Group assesses whether it is reasonably certain to exercise the extension options or not to exercise the termination options. The potential exposures to these future lease payments for (i) extension options which the Group is not reasonably certain to exercise and (ii) termination options which the Group is not reasonably certain not to exercise is summarised below:

	2020		2019	
	Lease liabilities recognised US$'000	**Potential future lease payments not included in lease liabilities (undiscounted) US$'000**	Lease liabilities recognised US$'000	Potential future lease payments not included in lease liabilities (undiscounted) US$'000
Leasehold buildings	**351**	**1,966**	448	1,983

The Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2020 and 2019, there was no such triggering event.

Restrictions on leases

In addition, lease liabilities of US$24,085,000 (2019: US$29,531,000) were recognised with related right-of-use assets of US$21,704,000 (2019: US$26,402,000) at 31 December 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in note 25.

14. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The deposits were paid by the Group in connection with the acquisition of property, plant and equipment and the related capital commitments are disclosed in note 34.

15. GOODWILL

	US$'000
COST	
At 1 January 2019, 31 December 2019 and 31 December 2020	74,941

For the purpose of impairment testing, goodwill and brand name (note 16) of approximately US$74,941,000 (2019: US$74,941,000) and US$31,777,000 (2019: US$31,777,000), respectively, have been allocated to the CGU representing Vista.

The recoverable amount of the CGU of Vista at 31 December 2020 has been calculated based on its value in use calculation. That calculation uses cash flow projections based on financial projections approved by management of the Group covering a five-year period with a pre-tax discount rate of 13.3% (2019: 14.2%), yearly growth rate of revenue of 10% to 15% (2019: 10% to 15%) and gross margins of 16.5% to 17.5% (2019: 16.5% to 17.5%). Cash flows beyond the five-year period are extrapolated using a steady 3% (2019: 3%) growth rate. Management believes that the growth rate does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculation relate to the estimation of cash flows, which includes projected sales. The estimation of the key assumptions is based on past performance of Vista and management's expectations of market conditions. The growth rates and discount rate have been reassessed at 31 December 2020 taking into consideration a higher degree of estimation uncertainties in the current year due to uncertainty about how the COVID-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions in the Group's operation. The Group has not recognised an impairment loss during the year ended 31 December 2020 (2019: nil) based on the impairment assessment performed.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the CGU of Vista to exceed the recoverable amount of the CGU of Vista. The recoverable amount of the CGU of Vista exceeds its carrying amount by US$197,937,000 (2019: US$82,281,000) at 31 December 2020.

16. INTANGIBLE ASSETS

	Customer relationship US$'000	Brand name US$'000	Total US$'000
COST			
At 1 January 2019, 31 December 2019 and 31 December 2020	73,750	31,777	105,527
AMORTISATION			
At 1 January 2019	9,834	–	9,834
Provided for the year	4,917	–	4,917
At 31 December 2019	**14,751**	**–**	**14,751**
Provided for the year	**4,917**	**–**	**4,917**
At 31 December 2020	**19,668**	**–**	**19,668**
CARRYING VALUE			
At 31 December 2020	**54,082**	**31,777**	**85,859**
At 31 December 2019	58,999	31,777	90,776

For the purpose of impairment testing, brand name has been allocated to the CGU representing Vista (note 15).

Customer relationship and brand name acquired in the business combination are identified and recognised as intangible assets.

Customer relationship is amortised over the estimated useful life of 15 years on a straight line basis. Brand name is treated as having an indefinite useful life because it is expected to contribute to net cash inflows to the Group indefinitely. Therefore, it is not amortised until its useful life is determined to be finite.

17. INTEREST IN AN ASSOCIATE

	2020 US$'000	2019 US$'000
Cost of unlisted investment in an associate	**125**	125
Share of post-acquisition profit and other comprehensive income, net of dividend received	**908**	331
	1,033	456
Deemed contribution to an associate (note)	**16,125**	18,625
	17,158	19,081

Note: Deemed contribution to an associate represents a loan advanced to an associate which is unsecured, interest-free and without fixed repayment terms. In the opinion of the directors of the Company, the loan in substance forms part of the investment in an associate.

At 31 December 2020 and 2019, the Group has an interest in the following associate:

Name of entity	Place of incorporation/ operation	Class of shares held	Proportion of nominal value of issued capital held by the Group	Proportion of voting power held	Principal activity
PCGT Limited	Hong Kong	Ordinary	25%	25%	Trading of textile products

The above associate is accounted for using the equity method in these consolidated financial statements.

Information of an associate that is not material

	2020 US$'000	2019 US$'000
The Group's share of profit for the year	**2,226**	2,483
The Group's share of other comprehensive expense for the year	**(37)**	(40)
The Group's share of total comprehensive income for the year	**2,189**	2,443
Dividend received from the associate during the year	**(1,612)**	–
The Group's share of the net assets of an associate	**1,033**	456

18. LOAN RECEIVABLES

Except for the amounts of approximately US$1,121,000 (2019: US$1,692,000) which carry interest rates ranging from 2.9% to 3.8% (2019: 2.9% to 3.8%) per annum, the amounts are unsecured, interest-free and repayable by instalments until 2025. Details of impairment assessment are set out in note 33.

19. INVENTORIES

	2020 **US$'000**	2019 US$'000
Raw materials	**72,455**	81,630
Work in progress	**147,216**	173,351
Finished goods	**15,938**	20,558
	235,609	275,539

At 31 December 2020, approximately US$8,910,000 (2019: US$5,683,000) of the Group's inventories have been pledged to banks to secure general banking facilities granted to the Group.

20. TRADE, BILLS AND OTHER RECEIVABLES

	2020 **US$'000**	2019 US$'000
Trade receivables – contracts with customers	**183,873**	272,567
Less: allowance for expected credit losses	**(9,218)**	–
	174,655	272,567
Bills receivable	**1,445**	388
Temporary payments to suppliers	**8,010**	8,974
Other receivables, deposits and prepayments	**40,299**	45,063
	224,409	326,992

At 1 January 2019, trade receivables from contracts with customers amounted to US$272,711,000.

At 31 December 2020, approximately US$576,000 (2019: US$20,035,000) of the Group's trade receivables has been pledged to banks to secure general banking facilities granted to the Group.

20. TRADE, BILLS AND OTHER RECEIVABLES (Continued)

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

	2020 **US$'000**	2019 US$'000
Within 60 days	**160,322**	262,524
61 to 90 days	**13,245**	8,626
91 to 120 days	**1,037**	853
Over 120 days	**51**	564
	174,655	272,567

At 31 December 2020, total bills received amounted to US$1,445,000 (2019: US$388,000) are held by the Group for future settlement of trade receivables. The Group continues to recognise their full carrying amounts at the end of the reporting period and details are disclosed in note 33. All bills received by the Group have a maturity period of less than one year.

Before accepting any new customers, the Group uses an internal credit assessment process to assess the potential customers' credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly.

At 31 December 2020, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately US$7,866,000 (2019: US$26,884,000) which is past due at the end of the reporting period. Out of the past due balances, US$38,000 (2019: US$223,000) has been past due over 90 days and is not considered as in default because the trade receivables are of good credit quality and those debtors do not have any default payment history. The Group does not hold any collateral over these balances.

Details of the impairment assessment of trade, bills and other receivables are set out in note 33.

21. 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 FVTOCI.

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

	2020 **US$'000**	2019 US$'000
Within 60 days	**56,167**	6,488
61 to 90 days	**8,123**	24
91 to 120 days	**504**	1
Over 120 days	**193**	2
	64,987	6,515

At 31 December 2020, included in the Group's trade receivables at FVTOCI balance are debtors with an aggregate carrying amount of approximately US$1,269,000 (2019: US$87,000), which is past due at the end of the reporting period. Out of the past due balances, US$78,000 (2019: US$3,000) has been past due over 90 days and is not considered as in default because the trade receivables are of good credit quality and those debtors do not have any default payment history. The Group does not hold any collateral over these balances.

Details of the valuation techniques and key inputs adopted for their fair value measurements are disclosed in note 33c.

Details of the impairment assessment of trade receivables at FVTOCI are set out in note 33.

22. BANK BALANCES AND CASH

Bank balances carry interest at market rates ranging from 0% to 2.71% (2019: 0% to 3.50%) per annum.

For the year ended 31 December 2020 and 2019, the Group has assessed the impairment of bank balances and has concluded that the probability of defaults of the counterparty banks is insignificant and accordingly, no allowance for credit losses is provided. Details of impairment assessment of bank balances are set out in note 33.

23. SHARE CAPITAL

	Number of shares '000	Share capital US$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2019, 31 December 2019 and 31 December 2020	3,500,000	4,482
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 31 December 2020	2,852,822	3,654

24. TRADE, BILLS AND OTHER PAYABLES

	2020 US$'000	2019 US$'000
Trade payables	**172,881**	170,974
Bills payable	**16,224**	4,710
Accrued staff cost	**79,467**	90,546
Other payables	**51,367**	53,647
Other accruals	**38,992**	37,824
Total trade, bills and other payables	**358,931**	357,701

The total is analysed for reporting purposes as:

	2020 US$'000	2019 US$'000
Current	**357,632**	356,401
Non-current	**1,299**	1,300
	358,931	357,701

As set out in note 6(a), a redundancy cost has been provided during the year ended 31 December 2020 and approximately US$2,400,000 has not yet been utilised and included in other payables.

At 31 December 2020, 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 (2019: repayable in 2021).

The credit period of trade payables is from 14 to 90 days.

24. TRADE, BILLS AND OTHER PAYABLES (Continued)

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

	2020 US$'000	2019 US$'000
Within 60 days	**142,948**	149,308
61 to 90 days	**25,176**	19,542
91 to 120 days	**2,469**	705
Over 120 days	**2,288**	1,419
	172,881	170,974

25. LEASE LIABILITIES

	2020 US$'000	2019 US$'000
Lease liabilities payable:		
Within one year	**12,183**	13,073
Within a period of more than one year but not more than two years	**5,404**	6,478
Within a period of more than two years but not more than five years	**2,461**	5,730
Within a period of more than five years	**4,037**	4,250
	24,085	29,531
Less: Amounts due for settlement within 12 months shown under current liabilities	**(12,183)**	(13,073)
Amounts due for settlement after 12 months shown under non-current liabilities	**11,902**	16,458

The weighted average incremental borrowing rates applied to lease liabilities was 5.93% (2019: 6.73%) per annum.

At 31 December 2020, lease liabilities of approximately US$3,633,000 (2019: US$3,580,000) were due to companies controlled by certain directors of the Company. During the current year, interest expense of US$66,000 (2019: US$72,000) has been charged to profit or loss and repayment of principal and interest of US$3,655,000 (2019: US$3,623,000) has been made in relation to the lease liabilities with the related companies. Certain directors of the Company, namely Mr. LO Lok Fung Kenneth, Mrs. LO CHOY Yuk Ching Yvonne and Mr. LO Ching Leung Andrew, have significant influence in these companies.

26. DEFERRED TAXATION

The following are the major deferred tax liabilities (assets) recognised and their movements during the current and prior years:

	Fair value adjustment on business combination	Accelerated tax depreciation	Revaluation of properties	Defined benefit assets/ liabilities	Tax losses	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2019	10,865	946	21,138	–	(264)	32,685
Exchange realignment	–	19	(209)	17	(1)	(174)
Charge to other comprehensive income	–	–	160	532	–	692
(Credit) charge to profit or loss	(836)	(88)	276	2	88	(558)
At 31 December 2019	**10,029**	**877**	**21,365**	**551**	**(177)**	**32,645**
Exchange realignment	**–**	**(8)**	**956**	**(3)**	**(2)**	**943**
Credit to other comprehensive income	**–**	**–**	**(1,366)**	**(399)**	**–**	**(1,765)**
(Credit) charge to profit or loss	**(836)**	**(472)**	**(330)**	**12**	**179**	**(1,447)**
At 31 December 2020	**9,193**	**397**	**20,625**	**161**	**–**	**30,376**

At 31 December 2020, the Group had unused tax losses of approximately US$19,388,000 (2019: US$16,317,000) available for offset against future profits. A deferred tax asset has been recognised in respect of US$1,079,000 of such losses at 31 December 2019 that has been utilised during the year ended 31 December 2020. No deferred tax asset has been recognised in respect of US$19,388,000 (2019: US$15,238,000) due to the unpredictability of future profit streams. Except for unrecognised tax losses of approximately US$9,381,000 (2019: US$715,000) that can be used to continuously offset against taxable profits up to 5 years from the year in which the loss is incurred, other losses may be carried forward indefinitely.

27. RETIREMENT BENEFIT PLANS

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme ("**MPF Scheme**") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme.

The Group also participates in defined contribution retirement schemes organised by the relevant local government authorities in the PRC and other jurisdictions where the Group operates. Certain employees of the Group eligible for participating in the retirement schemes are entitled to retirement benefits from the schemes. The Group is required to make contributions to the retirement schemes up to the time of retirement of the eligible employees, excluding those employees who resign before their retirement, at percentages that are specified by the local government authorities.

The total expense recognised in profit or loss of approximately US$42,515,000 (2019: US$50,364,000) represents contributions paid/payable to these plans by the Group at rates specified in the rules of the plans. All contributions due in respect of the years ended 31 December 2020 and 2019 have been paid/are payable to the plans.

Defined benefit plan

The Group operates a funded defined benefit scheme for qualifying employees of its subsidiaries in the U.K. that has been closed to new members since 1999. Under the scheme, the employees are entitled to retirement benefits as a percentage of final salary on attainment of the retirement age. No other post-retirement benefits are provided.

The plan in the U.K. exposes the Group to actuarially calculated risks, such as investment risk, interest rate risk, inflation risk and longevity risk.

Investment risk

The present value of the defined benefit plan liability is measured by discounting the best estimate of future cash flows to be paid out by the plan using the projected unit credit method; if the return on plan assets is below this rate, it will create a plan deficit. Currently the plan has a relatively balanced portfolio in equity investments, diversified growth funds, debt investments and liability driven investment funds. Due to the long-term nature of the plan liabilities, the trustees of the pension fund consider it appropriate that the plan assets should be invested in the portfolio to obtain the return generated by the funds.

Interest rate risk

A decrease in the interest rate will increase the plan liability; however, this will be partially offset by an increase in the return on the plan's corporate bonds and liability driven investment funds.

Inflation risk

The plan allows for rates of inflation experienced in the U.K. to apply to prospective benefits. The amounts of inflation adjustments are calculated in accordance with indices set out in the plan deed.

27. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plan (Continued)

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants. An increase in the life expectancy of the plan participants will increase the plan's liability.

The most recent actuarial valuation of plan assets and the assessment of the present value of the defined benefit obligations was carried out at 31 December 2020 by an actuary who is a fellow of the Institute and Faculty of Actuaries employed Mercer Limited, located at The St Botolph Building, 138 Houndsditch, London EC3A 7AW. The present value of plan liabilities is measured by discounting the best estimate of future cash flows to be paid out by the plan using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations are as follows:

	2020	2019
Discount rate	**1.3%**	2.0%
Expected return on plan assets:		
– equities and property fund	**5.7%**	6.3%
– bonds and cash	**2.3%**	2.8%
Future pension increases	**3.0%**	2.9%
Inflation rate	**3.1%**	3.0%
Revaluation rate for deferred pensioners	**2.6%**	2.0%

The actuarial valuation showed that the market value of plan assets was US$54,224,000 (2019: US$48,465,000) and that the actuarial value of these assets represented 102% (2019: 107%) of the benefits that had accrued to members.

27. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plan (Continued)

Amounts recognised in profit or loss and other comprehensive income in respect of this defined benefit plan are as follows:

	2020 US$'000	2019 US$'000
Service cost		
Past service cost	**–**	–
Net interest income recognised in profit or loss	**71**	13
Components of defined benefit costs recognised in profit or loss	**71**	13
Remeasurement of the net defined benefit assets:		
Return on plan assets (excluding amounts included in net interest expense/income)	**4,139**	6,418
Actuarial losses arising from changes in financial assumptions	**(6,066)**	(4,488)
Actuarial losses arising from experience adjustments	**(547)**	(11)
Actuarial (losses) gains arising from changes in demographic assumptions	**(643)**	445
Components of defined benefit (costs) income recognised in other comprehensive income	**(3,117)**	2,364
Total	**(3,046)**	2,377

The adjustment arising from the remeasurement of the net defined benefit assets is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plan is as follows:

	2020 US$'000	2019 US$'000
Present value of funded defined benefit obligations	**53,279**	45,227
Fair value of plan assets	**(54,224)**	(48,465)
Net asset arising from defined benefit obligations	**(945)**	(3,238)

Note: Accounting standards require that this asset be recognised in the consolidated statement of financial position although it is the current intention of the Company that, at some point, a buyout of the scheme should be sought in which case, were that to occur, the asset would not be recoverable in such circumstances.

27. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plan (Continued)

Movements in the present value of the defined benefit obligations in both years were as follows:

	2020 US$'000	2019 US$'000
At beginning of the year	**45,227**	40,566
Exchange realignment	**2,044**	1,507
Interest cost	**864**	1,111
Benefits paid	**(2,112)**	(2,011)
Actuarial losses	**7,256**	4,054
At end of the year	**53,279**	45,227

Movements in the fair value of the plan assets in both years were as follows:

	2020 US$'000	2019 US$'000
At beginning of the year	**48,465**	40,566
Exchange realignment	**2,027**	1,604
Interest income	**935**	1,124
Return on plan assets	**4,139**	6,418
Benefits paid	**(2,112)**	(2,011)
Contributions from employer	**770**	764
At end of the year	**54,224**	48,465

The fair values of the plan assets at the end of the reporting period for each category are as follows:

	2020 US$'000	2019 US$'000
Cash and cash equivalents	**2,608**	20
Equity investments – Equity instrument fund	**5,714**	5,040
Diversified growth funds	**19,395**	18,359
Liability driven investment funds	**12,561**	12,076
Corporate bond fund	**13,946**	12,970
Total	**54,224**	48,465

The fair values of the above equity and debt investments are determined based on quoted market prices in active markets.

27. RETIREMENT BENEFIT PLANS (Continued)

Defined benefit plan (Continued)

The actual return on plan assets was an approximate gain of US$5,074,000 (2019: US$7,542,000).

Significant actuarial assumptions for the determination of the defined obligation are discount rate, inflation and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate decreases by 0.25%, the defined benefit obligation would increase by 3.7% (2019: 4.4%).

- If the discount rate increases by 0.25%, the defined benefit obligation would decrease by 3.6% (2019: 5.0%).

- If the inflation rate increases by 0.25%, the defined benefit obligation would increase by 2.5% (2019: 2.6%).

- If the life expectancy increases by one year for both men and women, the defined benefit obligation would increase by 4.1% (2019: 3.7%).

The sensitivity analyses presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the changes in assumptions would occur in isolation from one another as some of the assumptions may be correlated.

In presenting the above sensitivity analyses, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is also applied in calculating the defined benefit obligation liability recognised in the consolidated statement of financial position.

The average duration of the defined benefit obligation at 31 December 2020 is 15 years (2019: 17 years).

The contributions expected to be made by the Group to the defined benefit plan during the following 12 months at 31 December 2020 will be US$817,000 (2019: US$787,000).

The Group is liable to pay additional contributions in case the planned assets are insufficient to settle the planned obligations.

28. BANK BORROWINGS

	2020 US$'000	2019 US$'000
Bank borrowings comprise:		
Bank loans	**127,982**	169,777
Bank import loans	**50,426**	101,035
Bank overdrafts	**–**	6,629
	178,408	277,441
Analysed as:		
Secured	**–**	3,062
Unsecured	**178,408**	274,379
	178,408	277,441
The carrying amounts of loans that contain a repayment on demand clause are repayable:		
Within one year	**122,195**	155,174
More than one year but not more than two years	**56,213**	111,751
More than two years but not more than five years	**–**	10,516
	178,408	277,441
Less: Amounts due within one year shown under current liabilities	**(178,408)**	(277,441)
Amounts shown under non-current liabilities	**–**	–

The effective interest rates (which are also equal to contracted interest rates) of the Group's variable-rate (based on LIBOR/HIBOR) borrowings range from 1.25% to 5.00% (2019: 2.30% to 5.20%) per annum.

29. AMOUNT DUE TO AN ASSOCIATE

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

30. AMOUNTS DUE FROM RELATED COMPANIES

At 31 December 2020 and 2019, the Group had balances with the following related companies:

	2020 US$'000	2019 US$'000
Amounts due from related companies (note i)		
Companies controlled by certain directors of the Company (note ii)	**684**	1,506

Notes:

(i) Included in the amounts due from related companies, US$146,000 (2019: US$982,000) are trade in nature, unsecured, interest-free and repayable according to the credit period of 30 days. The amounts are aged within 30 days (2019: 60 days) and all are within the credit period. The remaining balances of US$538,000 (2019: US$524,000) are non-trade in nature, unsecured, interest-free and repayable on demand. The maximum balances during the current year were US$1,641,000 (2019: US$1,581,000).

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

31. SHARE-BASED PAYMENT TRANSACTIONS

Share Award Scheme B

The Company adopted the share award scheme ("**Share Award Scheme B**") pursuant to a written resolution passed in April 2017, which approved the Company appointing an independent professional trustee (the "**Trustee**") to assist with the administration and vesting of the share awards. The purpose of Share Award Scheme B was to incentivise the Group's executives, consultants or officers to contribute to the Group, to retain and motivate skilled and experienced personnel and to incentivise them to strive for the future development of the Group by providing them with the opportunity to own equity in the Company.

Share Award Scheme B is valid and effective for a period of ten years, commencing from the date of the first grant of shares under the scheme. During the year ended 31 December 2017, 13,062,000 shares were granted to 93 persons eligible under Share Award Scheme B. No consideration was paid by the grantees for the grant of the incentive shares. When the selected person had fulfilled the condition of service period specified in Share Award Scheme B, the Trustee transferred the relevant incentive shares to that eligible person.

31. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Share Award Scheme B (Continued)

The following table discloses movements of share awards held by employees under Share Award Scheme B:

	Outstanding at 1.1.2019	Lapsed during the year (Note)	Vested during the year	Outstanding at 31.12.2019
Third tranche	3,965,000	(469,500)	(3,495,500)	–

Note: During the year ended 31 December 2019, 6 eligible participants, who were granted share awards ceased to become eligible participants upon termination of employment and their share awards automatically lapsed.

All the share awards held by employees under Share Award Scheme B were vested at 3 November 2019.

The Group has recognised the total expense of US$858,000 for the year ended 31 December 2019 relating to the share awards under Share Award Scheme B granted by the Company.

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to the shareholders through the careful management of the debt to equity ratio. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of net cash (2019: net debt), which includes lease liabilities and the borrowings disclosed in notes 25 and 28, respectively, less bank balances and cash and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a regular basis.

33. FINANCIAL INSTRUMENTS

33a. Categories of financial instruments

	2020 **US$'000**	2019 US$'000
Financial assets		
Financial assets at amortised cost	**593,588**	581,201
Trade receivables at FVTOCI	**64,987**	6,515
Financial liabilities		
Financial liabilities at amortised cost	**544,666**	642,796

33b. Financial risk management objectives and policies

The Group's major financial instruments include trade, bills and other receivables, trade receivables at FVTOCI, loan advanced to an associate, amounts due from related companies, loan receivables, bank balances, cash, trade, bills and other payables, amount due to an associate, lease liabilities, bank borrowings and financial guarantee contract. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) *Currency risk*

Several entities in the Group have foreign currency sales and purchases, which expose the Group to significant foreign currency risk.

The carrying amounts of the Group's significant foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		**Assets**	
	2020 **US$'000**	2019 US$'000	**2020** **US$'000**	2019 US$'000
HK$	**27,645**	635	**5,006**	2,679
Renminbi ("**RMB**")	**1,308**	116	**1,558**	1,830

The management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) *Currency risk* (Continued)

Sensitivity analysis

The Group is mainly exposed to the fluctuations in the HK$ and the RMB. The foreign currency risk of the HK$ is not significant as the HK$ is pegged to the US$.

The following table details the Group's sensitivity to a 5% increase and decrease in the RMB against the US$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. The sensitivity analysis includes bank balances, trade, bills and other receivables and trade, bills and other payables in the RMB which is not the functional currency of the relevant group entities. A positive number below indicates an increase in profit where the US$ weakens 5% against the RMB. For a 5% strengthening of the US$ against the RMB, there would be a comparable impact on the Group's post-tax profit and the balances below would be negative.

	2020 **US$'000**	2019 US$'000
Post-tax profit	**10**	72

(ii) *Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to lease liabilities (see note 25 for details). The Group's cash flow interest rate risks relate primarily to variable-rate bank balances and bank borrowings (see notes 22 and 28 for details of these balances and borrowings). It is the Group's policy to keep its bank balances and borrowings at floating rates of interest to minimise the interest rate risk.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the HIBOR and LIBOR arising from the Group's bank borrowings.

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) *Interest rate risk* (Continued)

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates with alternative nearly risk-free rates. As listed in note 28, all of the Group's LIBOR/HIBOR bank borrowings may be subject to the interest rate benchmark reform. The Group is closely monitoring the transition to new benchmark interest rates.

Total interest income from financial assets that are measured at amortised cost is as follows:

	2020 **US$'000**	2019 US$'000
Other income, gains or losses		
Financial assets at amortised cost	**1,823**	1,961

Interest expense on financial liabilities not measured at FVTPL:

	2020 **US$'000**	2019 US$'000
Financial liabilities at amortised cost	**9,968**	17,271

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming these financial instruments outstanding at the end of the respective reporting period were outstanding for the whole year. A 0.5% (2019: 0.5%) increase or decrease in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The exposure to the interest rate risk for variable-rate bank balances is insignificant and therefore the sensitivity analysis is not presented.

If interest rates had been 0.5% (2019: 0.5%) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2020 would decrease/increase by approximately US$745,000 (2019: US$1,010,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

The Group's maximum exposure to credit risk, which could cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the financial guarantee contract. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and financial guarantee contracts.

The Group assessed impairment to financial assets and the financial guarantee contract under the ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised below:

Trade receivables at amortised cost and FVTOCI

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In order to minimise the credit risk, the management of the Group has delegated a team to be responsible for credit approvals and to ensure other monitoring procedures are in place to initiate follow-up action to recover overdue debts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group assesses impairment under the ECL model on trade balances individually. Impairment losses of US$11,942,000 (2019: nil) have been recognised during the year ended 31 December 2020. Details of the quantitative disclosures are set out below in this note.

At 31 December 2020, trade receivables from the five largest customers represent approximately 72.1% (2019: 67.8%) of the Group's total trade receivables at amortised cost and FVTOCI.

Loan receivables

The management estimates the loss rates of loan receivables due from a few debtors based on historical credit loss experience of the debtors individually. Based on its assessment, the management considers the ECL for loan receivables is insignificant and thus no loss allowance is recognised.

Bank balances

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. For the year ended 31 December 2020 and 2019, the Group has assessed the impairment of bank balances and has concluded that the probability of defaults of the counterparty banks is insignificant and, accordingly, no allowance for credit losses is provided.

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Amounts due from related companies

The management of the Group considers that the credit risk on amounts due from related companies is limited because they can closely monitor repayments by the associate and the related companies. For the year ended 31 December 2020 and 2019, the Group has assessed the impairment of amounts due from related companies and has concluded that the possibility of default of the related companies is insignificant. Accordingly, no allowance for credit losses is provided.

Loan advanced to an associate

The management of the Group considers that the credit risk on the loan advanced to an associate is limited because of the strong financial background of the associate. For the year ended 31 December 2020 and 2019, the Group has assessed the impairment of the loan advanced to an associate and has concluded that the possibility of default is insignificant. Accordingly, no allowance for credit losses is provided.

Bills and other receivables

For bills and other receivables, the management makes periodic individual assessment of the recoverability of bills and other receivables based on historical settlement records, past experience, quantitative and qualitative information that is reasonable and supportable forward-looking information. The management believes that there are no significant increases in the credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended 31 December 2020 and 2019, the Group has assessed the ECL for bills and other receivables individually. Impairment losses of US$803,000 (2019: nil) has been recognised during the year ended 31 December 2020. Details of the quantitative disclosures are set out below in this note.

Financial guarantee contract

The maximum amount that the Group has guaranteed under the financial guarantee contract is US$6,500,000 at 31 December 2020 (2019: US$6,500,000). At the end of the reporting period, the management has assessed impairment and considers that the possibility of default by the associate is remote given its strong financial background. Accordingly, the loss allowance for financial guarantee contract issued by the Group is measured at an amount equal to 12m ECL. For the year ended 31 December 2020 and 2019, the Group has assessed that the ECL for financial guarantee contract is insignificant and thus no loss allowance is recognised. Details of the financial guarantee contract are set out in note 36(a).

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Category	Description	Trade receivables	Other financial assets and other item
Performing	The counterparty has a low risk of default and has no default record	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
In default	There is evidence indicating that the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The estimated loss rates are determined based on historically observed default rates over the expected lives of the debtors and are adjusted for forward-looking information, including but not limited to the general economic conditions, that is available without undue cost or effort.

For trade receivables at amortised cost and FVTOCI, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Trade receivables at amortised cost and FVTOCI are assessed individually for impairment allowance based on the historical credit losses experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the end of the reporting period, including the time value of money where appropriate.

In determining the ECL for the loan advanced to an associate, bills and other receivables, amounts due from related companies and loan receivables, the management of the Group has taken into account the historical default experience, for example, the Group has considered the consistently low historical default rate in connection with settlement records and forward-looking information, including but not limited to general economic conditions. Management has concluded that credit risk inherent in the Group's loan advanced to an associate, bills and other receivables, amounts due from related companies and loan receivables is insignificant.

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

	Notes	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount 2020 US$'000	Gross carrying amount 2019 US$'000
Trade receivables – contracts with customers	20	Performing	Lifetime ECL – not credit-impaired	**154,566**	272,567
		In default	Lifetime ECL – credit-impaired	**29,307**	–
Trade receivables at FVTOCI	21	Performing	Lifetime ECL – not credit-impaired	**64,987**	6,515
Bills and other receivables	20	Performing	12m ECL	**16,572**	18,565
		In default	Lifetime ECL – credit-impaired	**803**	–
Loan advanced to an associate	17	Performing	12m ECL	**16,125**	18,625
Loan receivables	18	Performing	12m ECL	**2,126**	3,086
Amounts due from related companies	30	Performing	12m ECL	**684**	1,506
Bank balances	22	Performing	12m ECL	**382,916**	266,511
Financial guarantee contract*	36(a)	Performing	12m ECL	**6,500**	6,500

* The gross carrying amount represents the maximum amount the Group has guaranteed under the respective contract.

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL – not credit-impaired US$'000	Lifetime ECL – credit-impaired US$'000	Total US$'000
At 1 January 2019 and 31 December 2019	–	–	–
Impairment loss recognised#	685	11,257	11,942
Write-offs	–	(2,731)	(2,731)
Exchange realignment	–	7	7
At 31 December 2020	**685**	**8,533**	**9,218**

\# The amount is arises from the new trade receivables recognised during the year ended 31 December 2020.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, or when the trade receivables are over two years past due, whichever occurs earlier.

The following table shows the movement in lifetime ECL that has been recognised for other receivables.

	Lifetime ECL – credit-impaired US$'000	Total US$'000
At 1 January 2019 and 31 December 2019	–	–
Impairment loss recognised	803	803
At 31 December 2020	**803**	**803**

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as significant sources of liquidity, details of which are set out in note 28.

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks not choosing to exercise their rights within one year after the end of the reporting period. The maturity analysis for other non-derivative financial liabilities is based on the scheduled repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

2020

	Weighted average effective interest rate %	On demand or less than 1 month US$'000	2–3 months US$'000	4 months to 1 year US$'000	Over 1 year US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31.12.2020 US$'000
Non-derivative financial liabilities							
Trade, bills and other payables	–	214,943	85,172	55,266	1,299	356,680	356,680
Lease liabilities	5.93	1,242	2,199	9,038	21,510	33,989	24,085
Amount due to an associate	–	9,578	–	–	–	9,578	9,578
Bank borrowings – variable rate	2.35	178,408	–	–	–	178,408	178,408
Financial guarantee contract (note)	–	6,500	–	–	–	6,500	–
		410,671	87,371	64,304	22,809	585,155	568,751

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

2019

	Weighted average effective interest rate %	On demand or less than 1 month US$'000	2–3 months US$'000	4 months to 1 year US$'000	Over 1 year US$'000	Total undiscounted cash flows US$'000	Carrying amount at 31.12.2019 US$'000
Non-derivative financial liabilities							
Trade, bills and other payables	–	225,421	86,995	39,777	1,300	353,493	353,493
Lease liabilities	6.73	1,392	2,405	9,642	27,881	41,320	29,531
Amount due to an associate	–	11,862	–	–	–	11,862	11,862
Bank borrowings – variable rate	3.49	277,441	–	–	–	277,441	277,441
Financial guarantee contract (note)	–	6,500	–	–	–	6,500	–
		522,616	89,400	49,419	29,181	690,616	672,327

Note: The amount included above for financial guarantee contract is the maximum amount the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty, which are guaranteed, suffer credit losses.

33. FINANCIAL INSTRUMENTS (Continued)

33b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. The aggregate undiscounted principal amount of these bank loans amounted to approximately US$178,408,000 at 31 December 2020 (2019: US$277,441,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid after the end of the reporting period in accordance with the scheduled repayment dates contained in the loan agreements, details of which are set out in the table below.

	Maturity Analysis-Bank borrowings with a repayment on demand clause based on scheduled repayments						
	On demand or less than 1 month	**1–3 months**	**3 months to 1 year**	**1–2 years**	**2–5 years**	**Total undiscounted cash outflow**	**Carrying amount**
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2020	**4,073**	**42,299**	**77,268**	**57,600**	**–**	**181,240**	**178,408**
2019	9,460	44,077	104,516	115,776	11,653	285,482	277,441

The amounts included above for variable interest rate instruments within the non-derivative financial liabilities are subject to change if variable interest rates change differently from the estimates of interest rates determined at the end of the reporting period.

33. FINANCIAL INSTRUMENTS (Continued)

33c. Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of financial assets and financial liabilities.

(i) Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and key inputs used).

	Fair value hierarchy at				
	31 December 2020		31 December 2019		Valuation
	Level 2	**Total**	Level 2	Total	techniques
	US$'000	**US$'000**	US$'000	US$'000	and key inputs
Financial assets					
Trade receivables at FVTOCI	**64,987**	**64,987**	6,515	6,515	Note

Note: A discounted cash flow method is used to assess the present value of the cash flows to be derived from the receivables using the discount rates from the factoring arrangements.

There were no transfers into or out of Level 2 during both years.

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

34. CAPITAL COMMITMENTS

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

	2020	2019
	US$'000	US$'000
Contracted for but not provided for in the consolidated financial statements in relation to the acquisition of property, plant and equipment	**26,519**	42,175

35. 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:

	2020 US$'000	2019 US$'000
Property, plant and equipment (note 12)	**4,739**	10,540
Inventories (note 19)	**8,910**	5,683
Trade receivables (note 20)	**576**	20,035
	14,225	36,258

36. RELATED PARTY TRANSACTIONS

(a) Related party transactions

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

Relationship	Nature of transaction	2020 US$'000	2019 US$'000
An associate	Purchase of materials	**(32,721)**	(31,700)
	Claims received	**19**	22
Companies controlled by certain directors of the Company (note i)	Management service income	**783**	435
	Subcontracting income	**3,113**	3,137
	Interest expense on lease liabilities	**(66)**	(72)
	Handling fee received	**42**	31
	Lease liabilities (note ii)	**(3,626)**	(3,228)

At 31 December 2020 and 2019, the Group has provided a corporate guarantee to an associate of the Group to secure the bank facilities granted to an associate to the extent of US$6,500,000. The Group is required to pay immediately if the associate is unable to meet its obligation. Such corporate guarantee falls within the definition of a financial guarantee contract under IFRS 9. Details of impairment assessment are set out in note 33.

Notes:

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

(ii) During the year ended 31 December 2020, the Group renewed several lease agreements for the use of office, warehouse, living quarters and production equipment (2019: office, warehouse, living quarters and production equipment) with companies controlled by certain directors of the Company. The lease terms ranged from 9 months to 1 year (2019: 9 months to 1 year). The Group accounted for the renewal of lease agreements as lease modification under IFRS 16 and remeasured the right-of-use assets and the corresponding lease liabilities. As a result, US$3,626,000 (2019: US$3,228,000) of right-of-use assets and lease liabilities were recognised.

36. RELATED PARTY TRANSACTIONS (Continued)

(b) Emoluments of key management personnel

Emoluments of executive directors, who are also the key management personnel, during the year are set out in note 7.

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

(c) Balances with related companies

The Group's outstanding balances with related companies at 31 December 2020 and 2019 are set out in the consolidated statement of financial position and the corresponding notes thereto.

(d) Licence agreement entered into with a related company

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

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	At 1 January 2020 US$'000	Financing cash flows US$'000	Other changes US$'000	At 31 December 2020 US$'000
Bank borrowings (notes i and ii)	270,812	(100,493)	8,089	178,408
Lease liabilities (notes iii and iv)	29,531	(16,910)	11,464	24,085
Interest on factoring arrangement	–	(1,331)	1,331	–
	300,343	(118,734)	20,884	202,493

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

	At 1 January 2019 US$'000	Financing cash flows US$'000	Other changes US$'000	At 31 December 2019 US$'000
Bank borrowings (notes i and ii)	431,977	(176,667)	15,502	270,812
Lease liabilities (notes iii and iv)	29,440	(16,969)	17,060	29,531
Interest on factoring arrangement	–	(1,093)	1,093	–
	461,417	(194,729)	33,655	300,343

Notes:

(i) Other changes of bank borrowings include the effect of foreign exchange rate changes and interest on bank borrowings.

(ii) Bank borrowings include bank loans and bank import loans. The cash flows from bank borrowings comprise the net amount of new bank borrowings raised and repayment of bank borrowings and interest paid.

(iii) Other changes of lease liabilities include the effect of foreign exchange rate changes, interest expense on lease liabilities and the addition/termination of lease liabilities.

(iv) The cash flows from lease liabilities comprise the amount of repayment of lease liabilities and interest paid.

38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

The following table lists the principal subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiary	Place of incorporation/ operation	Issued and paid capital	Proportion of nominal value of issued share/registered capital held by the Company				Principal activities
			2020		2019		
			Directly %	**Indirectly %**	Directly %	Indirectly %	
Amigo Bangladesh Ltd.	Bangladesh	Bangladesh Taka 4,196,561,000	**–**	**100**	–	100	Manufacture of garments
Crystal Apparel Limited	Hong Kong	HK$2,000,000	**–**	**100**	–	100	Trading of garments
Crystal Martin Apparel Bangladesh Limited	Bangladesh	Bangladesh Taka 87,503,800	**–**	**100**	–	100	Manufacture of garments
Crystal Knitters Limited	Hong Kong	HK$7,502,000	**100**	**–**	100	–	Provision of corporate services
Crystal Martin Ceylon (Private) Limited	Sri Lanka	Sri Lanka Rupee 1,792,466,900	**–**	**100**	–	100	Manufacture of garments
Crystal Martin (Hong Kong) Limited	Hong Kong	HK$1,970,497	**–**	**100**	–	100	Trading of garments
Crystal Martin International Limited	The U.K.	Great British Pound 100	**–**	**100**	–	100	Trading of garments
Crystal Martin Intimate (Macao Commercial Offshore) Limited	Macau	Macau Pataca ("**MOP**") 100,000	**–**	**100**	–	100	Trading of garments
Crystal Martin (Vietnam) Company Limited	Vietnam	US$2,000,000	**–**	**100**	–	100	Manufacture of garments
Crystal Sweater Limited	Hong Kong	HK$5,000,000	**–**	**100**	–	100	Trading of garments
Crystal Elegance Industrial Limited	Hong Kong	HK$1,500,020	**–**	**100**	–	100	Trading of garments
Elegance (Macao Commercial Offshore) Limited	Macau	MOP100,000	**–**	**100**	–	100	Trading of garments

38. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Issued and paid capital	Proportion of nominal value of issued share/registered capital held by the Company				Principal activities
			2020		2019		
			Directly %	Indirectly %	Directly %	Indirectly %	
Crystal Elegance (Macao) Limited#	Macau	MOP100,000	–	100	–	–	Trading of garments
Regent Garment Factory Limited	Vietnam	US$26,000,000	–	100	–	100	Manufacture of garments
Seiko Sweater (Macao Commercial Offshore) Limited	Macau	MOP100,000	–	100	–	100	Trading of garments
Seiko (Macao) Limited#	Macau	MOP100,000	–	100	–	–	Trading of garments
Crystal SL Global Pte. Ltd.	Singapore	Singapore dollars 6,052,605	–	100	–	100	Trading of garments
Yi Da Manufacturer Co., Ltd.	Cambodia	US$1,000,000	–	100	–	100	Manufacture of garments
中山益達服裝有限公司*	The PRC	HK$247,400,000	–	100	–	100	Manufacture of garments
東莞晶苑毛織製衣有限公司*	The PRC	HK$436,320,000	–	100	–	100	Manufacture of garments
英商馬田紡織品 (中國–中山) 有限公司*	The PRC	US$22,960,000	–	100	–	100	Manufacture of garments

* The company is registered in the form of wholly foreign owned enterprise.
# The company is incorporated during the year ended 31 December 2020.

None of the subsidiaries has issued any debt security at the end of the year or at any time during the year.

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 US$'000	2019 US$'000
ASSETS		
Non-current asset		
Investments in subsidiaries	**58,242**	58,242
Current assets		
Other receivables	**61**	59
Amounts due from subsidiaries	**549,445**	523,892
Bank balances and cash	**785**	1,753
	550,291	525,704
Total assets	**608,533**	583,946
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**3,654**	3,654
Reserves (note 40)	**604,515**	579,728
Total equity	**608,169**	583,382
Current liabilities		
Other payables	**364**	375
Amounts due to subsidiaries	**–**	189
	364	564
Total equity and liabilities	**608,533**	583,946

40. RESERVES OF THE COMPANY

	Share premium US$'000	Capital reserve US$'000	Share award reserve US$'000	Retained profits US$'000	Total US$'000
At 1 January 2019	502,850	9,903	1,671	54,033	568,457
Profit and total comprehensive income for the year	–	–	–	55,255	55,255
Recognition of equity-settled share-based payment expense	–	–	858	–	858
Vesting of shares in connection with Share Award Scheme B	2,529	–	(2,529)	–	–
Sale of Lapsed Shares	298	–	–	–	298
Dividend paid	–	–	–	(45,140)	(45,140)
At 31 December 2019	**505,677**	**9,903**	**–**	**64,148**	**579,728**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**67,108**	**67,108**
Dividend paid	**–**	**–**	**–**	**(42,321)**	**(42,321)**
At 31 December 2020	**505,677**	**9,903**	**–**	**88,935**	**604,515**

41. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of office, factories, warehouses, equipment, staff quarters and vehicles ranging from 1 month to 60 years (2019: 2 months to 60 years). During the year ended 31 December 2020, the Group recognised US$11,136,000 (2019: US$15,315,000) of right-of-use assets and US$11,136,000 (2019: US$15,315,000) of lease liabilities.

42. EVENTS AFTER REPORTING PERIOD

As set out in note 27, the Group operates a funded defined benefit scheme for qualifying employees of its subsidiaries in the U.K. that has been closed to new members since 1999. During the current year, the subsidiaries in the U.K. are under restructuring and the Group intends to secure all rights and obligations of the scheme through transfer of the scheme's responsibilities to a U.K. regulated insurance company ("**Buy-out**"). An intention letter of this potential Buy-out has been signed by the Group subsequent to the end of the reporting period. Based on the latest available information to the Group, the directors estimate the cost for this potential Buy-out at approximately US$15,000,000 and this amount will be recognised in profit or loss upon completion of this potential Buy-out.

Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and the Company's prospectus dated 23 October 2017 is set out below:

RESULTS

	Year ended 31 December				
	2016 US$'000	2017 US$'000	2018 US$'000	2019 US$'000	**2020** **US$'000**
Revenue	1,763,392	2,177,994	2,495,966	2,427,723	**1,985,332**
Profit before tax	144,780	174,371	170,000	174,322	**123,117**
Income tax expense	(21,128)	(25,854)	(20,808)	(22,418)	**(15,032)**
Profit for the year	123,652	148,517	149,192	151,904	**108,085**
Attributable to:					
Owners of the Company	123,652	148,429	149,192	151,904	**108,085**
Non-controlling interests	–	88	–	–	**–**
	123,652	148,517	149,192	151,904	**108,085**

ASSETS AND LIABILITIES

	At 31 December				
	2016 US$'000	2017 US$'000	2018 US$'000	2019 US$'000	**2020** **US$'000**
Total assets	1,360,823	1,821,725	1,839,952	1,816,168	**1,782,512**
Total liabilities	(1,052,594)	(910,957)	(853,513)	(728,150)	**(618,131)**
Total equity	308,229	910,768	986,439	1,088,018	**1,164,381**
Attributable to:					
Owners of the Company	305,558	910,768	986,439	1,088,018	**1,164,381**
Non-controlling interests	2,671	–	–	–	**–**
	308,229	910,768	986,439	1,088,018	**1,164,381**

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