CRYSTAL International

2021

ANNUAL REPORT

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

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

Stock code: 2232

* For identification purposes only

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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

Non-executive Director

Mr. LEE Kean Phi Mark

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Corporate Development Committee

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

AUTHORISED REPRESENTATIVES

Mr. LO Ching Leung Andrew
Mr. NG Tsz Yeung

COMPANY SECRETARY

Mr. NG Tsz Yeung

AUDITOR

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Certified Public Accountants
Registered Public Interest Entity Auditors
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Simpson Thacher & Bartlett
Maples and Calder (Hong Kong) LLP

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STOCK CODE

2232

FINANCIAL HIGHLIGHTS

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

	For the year ended 31 December	
	2021	2020
Key Financial Information (US$'000)		
Revenue	**2,341,432**	1,985,332
Cost of sales	**1,893,822**	1,599,466
Gross profit	**447,610**	385,866
Profit for the year	**163,291**	108,085
Earnings per share (US cents)		
– basic	**5.72**	3.79
Key Financial Ratios		
Gross profit margin (%)	**19.1%**	19.4%
Net profit margin (%)	**7.0%**	5.4%

	At 31 December	
	2021	2020
Key Financial Information (US$'000)		
Total assets	**1,959,495**	1,782,512
Total liabilities	**666,176**	618,131
Total equity	**1,293,319**	1,164,381
Net debt (note a)	**–**	–
Cash and cash equivalents	**401,270**	383,427
Key Financial Ratios		
Net debt to equity ratio (%) (note b)	**–**	–
Cash conversion cycle (days) (note c)	**56**	64

Notes:

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

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

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

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 2021.

2021 was another year of challenges for Crystal and for the world due to the continuing adverse impact of the Coronavirus-19 pandemic. Its highly infectious variants caused significant disruptions of varying durations in the countries where we operate. The health and safety of our employees and their families are our first priority and, therefore, we invested considerable time and resources in protecting the health and safety of our employees that included extending care to their families. In managing the continuity of our business, we have taken great care to minimise the impact of the pandemic on our employees and their families.

These frequent if short-term operational challenges indicate clearly how the pandemic is redefining the ways in which we live, work and create business opportunities that has included the reshaping of our strategic emphases. In 2021, we acquired a fabric mill in Vietnam, representing the achievement of a significant milestone in the Group's pursuit of vertical integration for the long-term development of Crystal.

While we devoted much effort to protecting and enhancing the health and safety of our employees, we remained focused on driving simplification, standardisation, automation and digitalisation as part of our progress towards our ultimate goal of being Industry 4.0 compliant. Management effort was particularly concentrated this year on delivering the plans to achieve holistic digital transformation. The consequent benefits will be cost reduction, efficiency enhancement and better quality customer services arising directly from the revamping of the Group's internal systems in all aspects of our business ranging from internal functions and administration to operations and logistics. The Group's governance culture has been reset to ensure knowledge continuity and effective execution of the transformation.

The effects of climate change constitute an increasingly dangerous, near term threat that will bring irreversible consequences globally. Tackling the climate crisis effectively needs and demands the collective efforts of businesses, governments, institutions, and all people on the planet. Being a pioneering garment manufacturer, I am proud to lead the Group to commit to net zero emissions by 2050, in line with the climate science of keeping global warming below 1.5°C. We have also set an interim target of reducing 35% aggregate greenhouse gas emissions by 2030. To achieve the net zero goal, we are formulating our strategy and long-term decarbonisation roadmap, including enhancing energy efficiency, expanding renewable energy and exploring advanced green technologies as well as other innovations. This transition to a net zero economy, I believe, provides us with a great opportunity to unite our people, enhance our productivity, strengthen our competitiveness and increase trust with our customers while retaining our leadership role in the industry. I hope our global stakeholders can join hands with us in making the journey to net zero. You can find out more about Crystal's work, commitment and climate action already taken, in our Sustainability Report 2021, in this annual report.

Since the beginning of the pandemic, Crystal has maintained its resilience and agility in responding to the evolving business environment. I join with my fellow Directors to congratulate the management team on the Group's tremendous performance in 2021, in often adverse conditions.

One of my key responsibilities is to lead the Board and ensure good governance for Crystal. I am grateful to be so well supported by Board members with a wealth of experience and knowledge that perfectly complement the talents of our management team. We continue to ensure the effectiveness of the Board with well-planned succession. We welcomed two new directors during the year. Mr. Kent WONG and Mr. Mark LEE joined in June 2021 and February 2022 respectively. I am confident that both of them bring new perspectives to the Board and add diversity of thoughts to its discussions. Mr. GRIFFITHS is retiring at the Annual General Meeting to be held on 15 June 2022 and will not be seeking re-election. I am grateful for his valuable contribution spanning over 19 years, during a period of significant growth for Crystal. I wish him well in his retirement.

Again, 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 team, staff and all our employees for their diligence, many contributions and the efforts they have made to ensure the continuing success of the Group.

LO Lok Fung Kenneth
Chairman of the Board

Hong Kong, 16 March 2022

MARKET OVERVIEW

Consumer demand has been strong throughout the year. Suppressed consumption desires among end consumers surged forth on the reopening of retail markets after the massive lockdowns of 2020. Different levels of travel restrictions throughout the world led consumers to concentrate their buying power into local consumption. Despite the prevalence of the pandemic throughout 2021, the governments of countries with large retail markets, especially in the US and Europe, relied principally on mass vaccination programmes, adopting an increasingly co-existent approach to dealing with the virus, enabling them to maintain and open up much economic activity, compared to 2020.

These phenomena boosted the confidence of global apparel brands in placing orders for apparel products. The rising consumer awareness of health has led to increasing demands for working out. At the same time, outdoor activities away from public crowds became more popular. These factors and the resumption of major international sports events indicate the effects of the pandemic are changing consumer preference towards sportswear and athleisure products. These trends should provide strong support for the further growth in sportswear apparel demand.

The strong demand from brand customers has been somewhat thwarted by, the continuing, negative impact of the pandemic on the global supply chain. The COVID-19 virus mutated into different variants during 2021, the most infectious being the Delta variant. When that variant hit the apparel manufacturing hub in the Southeast Asia region, initially in the second quarter in Cambodia and then in the third quarter in Vietnam, the respective local governments announced various levels of lockdown in the infected regions combining a zero-tolerance policy with a concurrent promotion of mass vaccination programmes. After a few weeks of lockdown in the region, the market gradually reopened as wider coverage of vaccination was achieved without the lockdowns being further extended. The local governments gradually shifted to adopting a co-existent approach as their countries' vaccination rates climbed. With the resumption of activities, the labour supply and recruitment situation in Cambodia improved rapidly as workers felt more protected and safer at work, after being vaccinated.

On the other hand, international shipment capacity continued to be tight throughout 2021. Port restrictions due to the pandemic reduced the ability of shipping companies to swap crews over, further limiting their ability to relocate international shipping containers to where they were most needed. All signs pointed towards a continuing surge in shipment costs and air freight charges. The strained shipment situation caused global brands to place their orders early to satisfy the upcoming seasons' demand. While international shipment capacity remained tight, the prevalent pandemic situation at various production bases resulted in supply chain constraints that further boosted the order sentiment among retail apparel brands. Consequently, solid order visibility was experienced by major apparel manufacturers.

BUSINESS REVIEW

The rebound in end-consumer demand led to strong orders from our brand customers throughout the year. Amongst all product categories, revenue growth in Sportswear and outdoor apparel was the most significant, fuelled by both the two newly added international sportswear customers and the continuing strong demand from existing customers. All sportswear customers have appreciated the capability of Crystal and view us as their long-term strategic partner, which is demonstrated by their continuing strong demand for our products. However, some of our production facilities were impacted by the prevailing pandemic situation causing interruptions at some of our factories located in Cambodia and Vietnam during the second and third quarters in 2021. The temporary unavailability of such capacity partially slowed the fast growth in our revenue for the year.

Nonetheless, the Group's revenue for the year ended 31 December 2021 increased significantly compared to the previous year, amounting to US$2,341 million (2020: US$1,985 million). The gross profit margin was similar to the same period last year at 19.1% (2020: 19.4%) but, pleasingly, net profit for the year ended 31 December 2021 was US$163 million (2020: US$108 million), representing a net margin of 7.0% (2020: 5.4%).

The principal reasons for the significant increase of 51% in the net profit for the Group were:

- An impairment loss on trade receivables of approximately US$11.9 million was recognised in 2020 and no significant impairment loss occurred in 2021;

- The suspension of factory operations in 2020 that incurred a one-off cost of US$16.2 million did not reoccur in 2021; and

- The one-off cost of US$13.2 million in relation to the restructuring of subsidiaries of the Company in the United Kingdom, Sri Lanka, Bangladesh and Cambodia that was recorded in 2020 was not repeated in 2021.

In 2021, the Group completed some acquisitions. In June, Masterknit was acquired with a shareholding of approximately 71.9% at a consideration of HK$83.8 million (equivalent to approximately US$10.8 million). Masterknit is principally engaged in the development and production of flat knitted shoe upper products. The acquisition provides strong support to the Group's performance sweater business with the additional benefit that the knitting machines acquired and their skilled operators provide technical support plus know-how in support of the Group's product innovation. This enables the Group to offer a more comprehensive product portfolio and wider range of services to our customer base, in particular sportswear customers.

The other acquisition of 100% of the holding company of a fabric mill in Vietnam, at a consideration of US$30.8 million, was completed in September. The fabric mill is located in Vietnam and conducts the business of textile weaving, dyeing and finishing. The investment represents a significant milestone in the Group's stated strategy of pursuing vertical integration for the longer-term development of the Group. This addition supplements the Group's existing 25% interest in a fabric mill joint venture with Pacific Textiles Holdings Limited that has been held since 2010. The investments in the two fabric mills will allow the Group to begin its own fabric mill operations, with a view to continuing to expand its upstream capacities through further organic growth and acquisition opportunities that should deliver further cost and operational efficiencies for the Group and its customers.

Capital expenditure for the year ended 31 December 2021 amounted to US$90 million, mainly to support our expansion projects in Vietnam and some expansion phases next to our existing facilities in Cambodia. Including the acquisitions mentioned, total capital investment for the year ended 31 December 2021 was US$132 million (2020: US$54 million).

The Group realises that the business and operating environments in which it exists are changing all the time, so one of its key strategies is to harness the appropriate techniques and methodologies that will assist it to perform increasingly effectively in these ever-changing environments. During 2021, significant effort was applied to reviewing, planning and starting the implementation of the major upgrading of the Group's administrative, financial and operational methods, systems and policies. This overall programme is designed to assist the Group to transition from where it is presently to become faster, more agile, more accurate and more efficient on a reliably continuous basis. At the same time, the Group has started a smart warehouse project at one of its factories in Vietnam, which is expected to launch in 2022. All these efforts shall take the Group closer to achieving its goal of being Industry 4.0 compliant.

The Board recognises the long-term support of shareholders and has resolved to propose a final dividend of HK9.8 cents per ordinary share. Taken together with the interim dividend of HK4 cents per ordinary share, total dividend per ordinary share for the year ended 31 December 2021 will amount to HK13.8 cents (2020: HK13.8 cents), representing a distribution of 31% of the Group's net profit for the year.

FINANCIAL REVIEW

Revenue

The Group's revenue for 2021 compared to 2020, by product category, each expressed as an absolute amount and as a percentage of total revenue was:

	For the Year ended 31 December			
	2021		2020	
	US$'000	**%**	US$'000	%
Lifestyle wear	**734,963**	**31.4%**	702,921	35.4%
Denim	**570,962**	**24.4%**	470,068	23.7%
Intimate	**427,915**	**18.3%**	326,023	16.4%
Sportswear and outdoor apparel	**426,550**	**18.2%**	304,932	15.3%
Sweater	**181,042**	**7.7%**	177,916	9.0%
Others (note)	**–**	**0.0%**	3,472	0.2%
Total Revenue	**2,341,432**	**100.0%**	1,985,332	100.0%

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

Our order demand has continued to recover since the fourth quarter in 2020, increasing the Group's revenue by 17.9% compared to 2020. With the continued strong demand from two internationally renowned sportswear brand customers, revenue increased significantly in Sportswear and outdoor apparel.

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

	For the Year ended 31 December			
	2021		2020	
	US$'000	**%**	US$'000	%
Asia Pacific (note a)	**949,656**	**40.6%**	865,968	43.6%
United States	**908,180**	**38.8%**	692,556	34.9%
Europe (note b)	**386,834**	**16.5%**	328,555	16.6%
Other countries/regions	**96,762**	**4.1%**	98,253	4.9%
Total Revenue	**2,341,432**	**100.0%**	1,985,332	100.0%

Notes:

(a) Asia Pacific primarily includes Japan, the PRC and South Korea.

(b) Europe mainly includes Germany, the Netherlands and the U.K..

Gross Profit and Gross Profit Margin

	For the Year ended 31 December			
	2021		2020	
	Gross Profit US$'000	**Gross Profit Margin %**	Gross Profit US$'000	Gross Profit Margin %
Lifestyle wear	**146,743**	**20.0%**	146,318	20.8%
Denim	**104,413**	**18.3%**	81,865	17.4%
Intimate	**83,895**	**19.6%**	64,209	19.7%
Sportswear and outdoor apparel	**76,593**	**18.0%**	60,541	19.9%
Sweater	**35,966**	**19.9%**	31,391	17.6%
Others	**–**	**0.0%**	1,542	44.4%
Total Gross Profit	**447,610**	**19.1%**	385,866	19.4%

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

Other Expenses and Finance Costs

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

An impairment loss on trade receivables of approximately US$11.9 million was recognised in 2020. No significant impairment loss on trade receivables was recognised in 2021.

Our administrative, research and development expenses and other income decreased to 9.6% of revenue in 2021 compared with 11.3% in 2020. A one-off cost of US$16.2 million in relation to suspension of factory operations was recorded in 2020, but no such cost was recorded in 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. The trustees of the defined benefit scheme entered an agreement with an insurance company towards the end of the year to assume full responsibility for the scheme. The agreement comprises principally two parts: the buy-in and the buy-out. In December 2021, a buy-in transaction was completed whereby the assets of the plan were invested in a bulk purchase annuity policy with an insurance company under which the benefit payable to defined benefit members became fully insured. The insurance policy was purchased using the existing assets of the plan and further contribution from the Group. The legally binding agreement is for the plan to move to a full buy-out as soon as practical, following which the insurance company will become directly responsible for pension payments. Various details need to be fully checked and confirmed before buy-out can occur. That is expected to take place during the coming year. Following buy-out and the subsequent winding up of the scheme, the Group will cease to have any responsibility to fund the scheme.

The Group has been restructuring its UK operations and has made steady progress towards its objective of disposing of them. The disposal is anticipated to occur no later than in 2023 and could occur earlier.

The effective borrowing rate for the Group in 2021 ranged from 1.21% to 5.00% compared with 1.25% to 5.00% in 2020. The Group had no fixed-rate borrowings at 31 December 2021. Finance costs amounted to 0.3% of revenue in 2021 compared to 0.5% in 2020.

Net Profit

Despite the impacts of the COVID-19 pandemic, the Group achieved a net profit of US$163 million for the year ended 31 December 2021. Net profit as a percentage of revenue increased from 5.4% in 2020 to 7.0% in 2021.

Capital Management

The consolidated financial position of the Group remained sound throughout the year. The positive operating cash flow of US$190 million (2020: US$324 million) contributed to cash and cash equivalents of US$401 million at 31 December 2021, compared with US$383 million at 31 December 2020. Cash and cash equivalents were mainly denominated in HK$ and US$. Bank borrowings, mainly denominated in HK$ and US$, decreased slightly from US$178 million at 31 December 2020 to US$168 million at 31 December 2021. All bank borrowings of US$168 million at 31 December 2021 contained a repayable on demand clause and US$168 million was repayable within one year.

The Group held a positive net cash position of US$234 million at 31 December 2021. The gearing ratio (total interest-bearing bank borrowings, less bank balances and cash, divided by total equity) at 31 December 2021 was nil (31 December 2020: nil).

The Group entered into several non-recourse agreements with financial institutions to factor more trade receivables to mitigate credit risk and improve the liquidity position of the Group. As a result, our conversion cycle averaged 56 days, compared to 64 days for the whole of 2020. Turnover of trade and bills receivables averaged 42 days in 2021, compared with 48 days average turnover throughout 2020. Inventory turnover averaged 52 days in 2021, compared with 58 days in 2020. Trade and bills payable turnover averaged 38 days in 2021 compared to 42 days in 2020.

Capital expenditure, incurred, in the main, for the building, equipping and the upgrading of production facilities, continues to be carefully managed. In 2021, capital expenditure amounted to US$90 million, compared with US$54 million in 2020. Capital commitments at 31 December 2021 were US$55 million compared to US$27 million at 31 December 2020.

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

Funding and Treasury Policy

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the year. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. The Group regularly reviews its funding requirements to maintain adequate financial resources in order to support its current business operations as well as its future investments and expansion plans.

Use of Proceeds from Initial Public Offering

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

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

For the period from 3 November 2017 (the listing date of the Company) to 31 December 2021, US$461 million (HK$3,592 million) of the net proceeds has been applied:

- US$259 million (HK$2,019 million) to expand manufacturing capacity
- US$31 million (HK$240 million) to pursue upstream vertical integration
- US$122 million (HK$952 million) to repay the Vista related loans
- US$49 million (HK$381 million) to use as working capital

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

Use	Segment	Revised Allocation of Net Proceeds as set out in the Announcement dated 13 March 2019 *(US$'million)*	Unutilised Net Proceeds at 31 December 2020 *(US$'million)*	Utilised Net Proceeds in 2021 *(US$'million)*	Unutilised Net Proceeds at 31 December 2021 *(US$'million)*	Expected Timeline for Applying Unutilised Net Proceeds at 31 December 2021
Additional manufacturing facilities in Vietnam	Lifestyle wear, Sweater and Sportswear and outdoor apparel	88	19	19	0	
Additional manufacturing facilities in Vietnam	Denim and Intimate	112	5	5	0	
Additional manufacturing facilities in Bangladesh	Lifestyle wear and Sportswear and outdoor apparel	59	0	0	0	
Upstream vertical integration in Asia		58	58	31	27	By 31 December 2023
Repayment of Vista related loans		122	0	0	0	
Working capital and general corporate purposes		49	0	0	0	
Total		488	82	55	27	

Use	Segment	Revised Allocation of Net Proceeds as set out in the Announcement dated 13 March 2019 *(HK$'million)*	Unutilised Net Proceeds at 31 December 2020 *(HK$'million)*	Utilised Net Proceeds in 2021 *(HK$'million)*	Unutilised Net Proceeds at 31 December 2021 *(HK$'million)*	Expected Timeline for Applying Unutilised Net Proceeds at 31 December 2021
Additional manufacturing facilities in Vietnam	Lifestyle wear, Sweater and Sportswear and outdoor apparel	686	150	150	0	
Additional manufacturing facilities in Vietnam	Denim and Intimate	876	32	32	0	
Additional manufacturing facilities in Bangladesh	Lifestyle wear and Sportswear and outdoor apparel	457	0	0	0	
Upstream vertical integration in Asia		457	457	240	217	By 31 December 2023
Repayment of Vista related loans		952	0	0	0	
Working capital and general corporate purposes		381	0	0	0	
Total		3,809	639	422	217	

At 31 December 2021, unutilised net proceeds were deposited in licensed banks and 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 2021, assets pledged by the Group are set out in note 35 to the consolidated financial statements.

Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save as disclosed below, the Group had neither material acquisition nor disposal of subsidiaries, associates and joint ventures for the year ended 31 December 2021.

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

Pursuant to the Masterknit Agreement, the Group conditionally agreed to acquire and Fashion Fit conditionally agreed to sell approximately 71.9% of the equity interest in Masterknit, a company incorporated in Hong Kong with limited liability. Masterknit is principally engaged in the development and production of flat knitted shoe upper products. The cash consideration of the acquisition was HK$83.8 million (equivalent to approximately US$10.8 million). The acquisition was completed on 30 June 2021 and accounted for as an acquisition of business using the acquisition method.

On 23 August 2021, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the "**Pine Wood Agreement**") with Green Sustainability International Limited ("**Green Sustainability**"), a company incorporated in Samoa with limited liability and Full Impact Limited ("**Full Impact**"), a company incorporated in British Virgin Islands with limited liability, both are independent third parties.

Pursuant to the Pine Wood Agreement, the Group conditionally agreed to acquire and Green Sustainability and Full Impact conditionally agreed to sell 63% and 37%, respectively, of the equity interest in Pine Wood Industries Limited ("**Pine Wood**"), a company incorporated in British Virgin Islands with limited liability. Pine Wood is an investment holding company and owns a fabric mill in Vietnam. The cash consideration of the acquisition was US$30.8 million. The acquisition was completed on 30 September 2021 and accounted for as an acquisition of business using the acquisition method.

Significant Investment Held

For the year ended 31 December 2021, the Group held no significant investments.

Contingent Liabilities

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

Subsequent Events after the Reporting Period

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

EMPLOYMENT, TRAINING AND DEVELOPMENT

The Group employed around 77,000 people at 31 December 2021. Total staff costs, including administrative and management staff, for the year ended 31 December 2021 equated to 24.8% of revenue, compared with 25.0% in 2020. The Group remunerates its staff according to their performance, qualifications and industry practices, and conducts regular reviews of its remuneration policy. Employees may receive discretionary bonuses and monetary rewards based on their ratings in annual performance appraisals. The Group also offers rewards or other incentives to motivate the personal growth and career development of employees, such as 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

The recovery of the end consumer market continues to support strong customer order demand heading into 2022. Order visibility is strong, as brands tend to place orders earlier to secure capacity at major vendors. However, rising raw material costs and the strained shipment situation will inevitably lead to inflation of consumer prices. At the same time, the outbreak of the Omicron variant and possible future variants of the COVID-19 virus will weigh on the stability of the overall supply chain. These trends are likely to continue in the foreseeable future.

Orders from sportswear customers continue to grow. In addition to the strong demand from the two new sportswear customers, the Group is pleased to announce the recent onboarding of another internationally renowned sportswear brand as our new customer, with the first shipment of orders delivered in recent months. As such, revenue contribution from sportswear is expected to increase its significance. In order to support the solid order growth from sportswear customers, the Group has revitalised an existing factory in Cambodia and converted it to serve our sportswear customers. The Group will continue to invest capital in further expansion at various locations of our multi-country manufacturing platform including Vietnam, Cambodia and Bangladesh. Capital investment is expected to be higher than the level in 2021 during the coming year.

The recent acquisition of the fabric mill in Vietnam demonstrates the Group's dedication to pursue vertical integration for the longer-term development of the Group. In addition to its strategic location, which should help satisfy our fabric supply needs in our two significant production bases, Vietnam and Cambodia, the acquisition also helped the Group acquire talents and skill sets of fabric mill operations, which the Group believes could help speed up our learning curve should we pursue organic growth to build and operate our own fabric mill in the future. The Group will continue gradually to locate regionally our fabric supply among our garment facilities to support our operations and meet the demand from our key customers more effectively.

DIRECTORS

At 16 March 2022, the Board consisted of 11 directors, comprising six executive directors, one non-executive director and four 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 83, 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 of the Company 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 Businessperson of the Year award of the DHL and South China Morning Post Hong Kong Business Awards in 2021 that recognised his outstanding achievements in environmental, social and governance, entrepreneurship and good corporate governance in dealing with challenges arising from the COVID-19 pandemic. He 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 and South China Morning Post 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 and a committee member 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 77, 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 of the Company 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 56, 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 operations 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 the Chief Executive Officer of the Group in 2008. He is also the 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 a brother of Mr. Howard LO (an executive director and a senior vice president).

Mr. WONG Chi Fai (王志輝), aged 62, 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 directors 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 58, has been an executive director of the Group since January 2011. He is currently the president of knits division and is primarily responsible for overseeing the lifestyle wear, the sportswear and outdoor apparel 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-operations until October 2004, general manager of sales and operations until June 2007 and, subsequently, the president (t-shirt operation) 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 43, 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 of knits division 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 brother of Mr. Andrew LO (an executive director and the Chief Executive Officer).

Non-executive Director

Mr. LEE Kean Phi Mark, aged 49, has been appointed a non-executive Director of the Company with effect from 1 February 2022 and has been a member of the Corporate Development Committee of the Company since 1 July 2020. He was previously the Senior Vice President of Crystal SL Global Pte. Ltd., a wholly owned subsidiary of the Company, from 2017 to 2020 and is currently a director and legal representative of some of the Group's subsidiaries.

Mr. Mark LEE was appointed an executive director and the chief executive officer of Sing Lun Holdings Pte Ltd ("**Sing Lun**") in 2003. Sing Lun is a privately-owned enterprise, operating a diverse range of business interests worldwide. The Sing Lun group, with key business interests that include industrial activities, investments and real estate, was awarded the EY-Standard Chartered Family Business Award of Excellence in 2018. Sing Lun was previously listed on the Singapore Stock Exchange between 2000 and 2008. Prior to that, Mr. Mark LEE was an executive director of Bowen Distribution Pte Ltd from 2001 to 2002, having been general manager of Sing Lun & Company Pte Ltd from 1999 to 2000 before which he held various positions in marketing and product management at CSA Distribution Pte Ltd from 1997 to 1999.

Mr. Mark LEE has over 20 years' experience in the apparel industry. In recognition of his entrepreneurial spirit, Mr. Mark LEE was awarded "Most Outstanding Entrepreneur" during the Asia Pacific Entrepreneur Awards 2010 in Singapore. He is also the winner of the prestigious EY Entrepreneur of The Year – Manufacturing in 2015. In 2016, Mr. Mark LEE was one of 30 members of the Committee for Future Economy (CFE) setup by the Prime Minister in 2016 to position Singapore well for the future.

Mr. Mark LEE is currently a board member of the following statutory bodies in Singapore – Singapore National Heritage Board and the Board of Trustees of Yusof Ishak Institute of South-East Asian Studies. He is the Chairman of Singapore's Asian Civilisations Museum and a board director of Business China. Mr. Mark LEE is a current council member of the Singapore Business Federation, deputy honorary treasurer, chairman of the Jobs and Skills Committee and vice chairman of the Young Business Leaders Network and SMEC Innovation Sub-committee. He is a council member of the Singapore Chinese Chamber of Commerce and is the chairman of the Commerce and Industry Committee.

He is an advisor to and a past president of the Singapore Textile and Fashion Federation (Taff), and past chairman of the Textile and Fashion Federation Training Centre (TaF.tc) academic and examination board from 2014 to 2020. Due to his great interest in sports, Mr. Mark LEE is a board member of the Singapore Sports School, chairing its Financial Assistance Fund. Mr. Mark LEE graduated from Monash University with a bachelor's degree in business marketing in 1996.

Independent Non-executive Directors

Mr. GRIFFITHS Anthony Nigel Clifton, aged 78, has been an independent non-executive director since the initial public offer of the Company in November 2017. 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. CHANG George Ka Ki（張家騏）, aged 69, has been an independent non-executive director since the initial public offer of the Company in November 2017. 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 69, has been an independent non-executive director since the initial public offer of the Company in November 2017. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee, 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 Technology Venture Company Limited (formerly known as Hong Kong Television Network Limited; Stock Code: 1137) and Goldpac Group Limited (Stock Code: 3315). In August 2020, Mr. MAK was also appointed the chairman of the audit committee of Luk Fook Holdings (International) Limited. He was previously 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. Mr. MAK is a member of Hong Kong Housing Society and a member of several of its committees. He is also a member of the supervisory board of Hong Kong Housing Society. Mr. MAK graduated from the University of Toronto and obtained a bachelor's degree in commerce in 1976.

Mr. WONG Siu Kee（黃紹基）, aged 66, was appointed an independent non-executive director, and a member of each of the Remuneration Committee, the Nomination Committee and the Corporate Development Committee of the Company on 4 June 2021.

Mr. Kent WONG is an executive director and Managing Director, Corporate and HK, Macau & Overseas of Chow Tai Fook Jewellery Group Limited ("CTF") (listed on the Hong Kong Stock Exchange; Stock Code: 1929), being responsible for CTF's overall corporate management and its development in Hong Kong, Macau and overseas.

Mr. Kent WONG has over 40 years of practical experience in the jewellery industry with diverse specialties in business development in the Greater China region as well as in corporate operations and management. He has been feted with the highest accolade of the JNA Awards 2020, the "Lifetime Achievement Award", for his outstanding lifetime achievements and contributions to the global jewellery community. He was named as "Asia's Best CEO (Investor Relations)" by Corporate Governance Asia, an authoritative regional journal on corporate governance, at its Asian Excellence Awards for four consecutive years from 2017 to 2020. Mr. Kent WONG was also named as "CEO of the Year/Luxury/Asia" at the 2016 IAIR Awards presentation ceremony held by the International Alternative Investment Review and awarded "Director of The Year Awards 2015" by The Hong Kong Institute of Directors in December 2015.

Mr. Kent WONG is a member of the 2021 Fair Organising Committee of the Hong Kong Trade Development Council for its Hong Kong International Jewellery Show and Hong Kong International Diamond, Gem and Pearl Show. He is a council member of The Hong Kong Management Association, chairman of the executive committee of the Hong Kong Jewellers' & Goldsmiths' Association Ltd, chairman of the supervising committee of the Hong Kong & Kowloon Jewellers' & Goldsmiths' Employees' Association Ltd, a permanent honorary president of the Kowloon Gold Silver and Jewel Merchants' Staff Association, a board member of the World Diamond Council, and a member of the Anhui Provincial Committee of the Chinese People's Political Consultative Conference. He is also a board member of the Diamonds Do Good, a board member of CIBJO, the World Jewellery Confederation and president, 2020/2022, of the executive committee of Youth Outreach.

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 50, was appointed Chief Financial Officer 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 62, 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 55, was appointed the president of the denim division in January 2016. Mr. WONG Ho 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 Ho 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

Mr. NG Tsz Yeung（伍子暘）, aged 37, was appointed the Company Secretary and an Authorised Representative of the Company for the purpose of the Listing Rules in May 2021 and is responsible for overseeing the company secretarial function, corporate governance and compliance of the Group. Prior to joining the Group, Mr. Edmund NG was the assistant company secretary, Hong Kong of Standard Chartered Bank (Hong Kong) Limited and the company secretary of Hong Kong Airlines Limited. Mr. Edmund NG holds a Bachelor of Laws (Hons) degree from the University of London and a Master of Corporate Governance degree from The Hong Kong Polytechnic University. He is also a fellow of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

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 2021.

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 pages 4 to 15 of this annual report. Commentary on the Group's relationships with its key stakeholders is given in the Chairman's Statement on pages 4 to 5 and the Sustainability Report 2021 on pages 60 to 132 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 3 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 that have had a significant impact on the Group, further details of which are set out in the Sustainability Report 2021 on pages 60 to 132 of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated financial statements on pages 138 to 235 of this annual report.

The Board has recommended to pay Shareholders a final dividend of HK9.8 cents per ordinary share for the year ended 31 December 2021. Subject to the approval of the proposed final dividend by Shareholders at the AGM to be held on Wednesday, 15 June 2022, the proposed final dividend is expected to be paid on 7 July 2022.

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 Group's results of operations, the 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 RECEIVE THE FINAL DIVIDEND

The forthcoming AGM will be held on Wednesday, 15 June 2022. 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, 10 June 2022 to Wednesday, 15 June 2022, 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, 9 June 2022.

For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Thursday, 23 June 2022 to Monday, 27 June 2022, both days inclusive, during which period no transfer of shares will be registered. To qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Wednesday, 22 June 2022.

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 236 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 2021, the reserves of the Company available for distribution to its Shareholders amounted to approximately US$598 million (2020: US$605 million).

DONATIONS

Charitable donations made by the Group during the year ended 31 December 2021 amounted to US$0.8 million (2020: US$0.3 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 2021.

SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2021 are set out in note 38 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, sales to the Group's five largest customers accounted for approximately 63.6% of the Group's total sales for the year (of which sales to the Group's largest customer accounted for approximately 33.6%). Purchases from the Group's five largest suppliers accounted for approximately 28.9% of the Group's total purchases for the year (of which purchases attributable to the largest supplier accounted for approximately 10.0%).

During the year ended 31 December 2021, Mr. Frankie WONG (an executive Director) was interested in 0.01% of equity interest (i.e. 200,000 shares) in one of the Group's five largest suppliers, Pacific Textiles Holdings Limited. Save as disclosed above, 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 2021.

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. The trustees of the defined benefit scheme entered an agreement with an insurance company towards the end of the year to assume full responsibility for the scheme. The agreement comprises principally two parts: the buy-in and the buy-out. In December 2021, a buy-in transaction was completed whereby the assets of the plan were invested in a bulk purchase annuity policy with an insurance company under which the benefit payable to defined benefit members became fully insured. The insurance policy was purchased using the existing assets of the plan and further contribution from the Group. The legally binding agreement is for the plan to move to a full buy-out as soon as practical, following which the insurance company will become directly responsible for pension payments. Various details need to be fully checked and confirmed before buy-out can occur. That is expected to take place during the coming year. Following buy-out and the subsequent winding up of the scheme, the Group will cease to have any responsibility to fund the scheme.

DIRECTORS

The Directors during the year ended 31 December 2021 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)

Non-executive Director

Mr. LEE Kean Phi Mark (appointed on 1 February 2022)

Independent Non-executive Directors

Mr. GRIFFITHS Anthony Nigel Clifton
Mr. TSE Man Bun Benny (retired on 2 June 2021)
Mr. CHANG George Ka Ki
Mr. MAK Wing Sum Alvin
Mr. WONG Siu Kee (appointed on 4 June 2021)

In accordance with Article 16.2 of the Articles of Association, Mr. Kent WONG and Mr. Mark LEE will retire at the AGM and, being eligible, offer themselves for re-election at the forthcoming AGM of the Company.

In accordance with Article 16.18 of the Articles of Association, Mr. Andrew LO, Mr. Dennis WONG, Mr. GRIFFITHS and Mr. CHANG shall retire at the AGM. Except Mr. GRIFFITHS, all of the above retiring directors, being eligible, will offer themselves for re-election at the forthcoming AGM of the Company. Since Mr. GRIFFITHS has planned to retire and will not offer himself for re-election, he will retire at the conclusion of the AGM.

The Company has received written annual confirmations 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 the company secretary are set out on pages 16 to 22 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 2021. The service agreement with Mr. Howard LO has a fixed term commencing from 1 January 2021 and ending on 5 October 2022. The letter of appointment of Mr. Mark LEE was entered into for an initial term commencing from 1 February 2022 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. In addition, Mr. Mark LEE also entered into a service agreement with Crystal SL Global Pte. Ltd., a wholly owned subsidiary of the Company, for provision of consultancy services to the Group.

The emoluments of directors have been determined with reference to their 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 2021.

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 2021.

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 2021.

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 2021:

	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		69
	Happy Field Company Limited	Expense paid/payable for lease of premises	695		691
	Joint Access Limited	Expense paid/payable for lease of premises	541		537
	Asia Success Properties Limited	Expense paid/payable for lease of premises	1,022		1,835
		Sub-total	2,328		3,132
2.	Masterknit	Income received/receivable for provision of management services	393	1,000	
3.	Masterknit	Income received/receivable for subcontracting services	2,254	4,000	
4.	Masterknit	Expense paid/payable for lease of equipment	250		248

(1) 2021 Leases

In 2019, 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 21 December 2020 (the "**2021 Leases**"). Pursuant to the 2021 Leases, the Connected Landlords agreed to lease the premises for office, warehouse and living quarters purposes. The terms of the lease agreements with the Connected Landlords were one year commencing from 1 January 2021. Since the Connected Landlords are connected persons of the Company and the transactions with these entities are of a similar nature, such transactions have been aggregated and treated as if they were one transaction, pursuant to Rules 14A.82(1) of the Listing Rules. The lease agreement with Asia Success Properties Limited was ended on 20 July 2021 due to the relocation of the offices.

DTZ Cushman & Wakefield Limited, the property valuer of the Company, has confirmed that the rent under the 2021 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 3 December 2020 (collectively, the "**Agreements with Masterknit**"). The terms of the Agreements with Masterknit were one year commencing from 1 January 2021. As the Controlling Shareholders are indirect shareholders of Masterknit when the Agreements with Masterknit were entered into, Masterknit was 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 21 December 2020, 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 2021 to 31 December 2021.

Reasons for the transactions: The Directors were of the view to continue providing the general support service to Masterknit. The directors (including the independent non-executive directors) considered that the transactions had been entered into in the ordinary course of the Company's business on normal commercial terms, and the terms of the general service agreement were 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 6.72% on a three-year weighted basis and 7.22% for the year ended 31 December 2020 as reviewed. The fixed margin rate charged by the Company for the provision of general services for the year ended 31 December 2021 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 21 December 2020, pursuant to which the Group provided sub-contracting services to Masterknit from time to time. The term of the agreement was from 1 January 2021 to 31 December 2021.

Reasons for the transactions: 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 the unrelated third parties for similar quantities. Taking into account the manner in which the subcontracting 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 21 December 2020, under which Masterknit agreed to lease to the Group certain production equipment. The term of the agreement was from 1 January 2021 to 31 December 2021.

Reasons for the transactions: 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 subcontracting 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$494,000.

In accordance with IFRS 16 applicable to the Company, the transactions under the 2021 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 2021 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.81 and 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 2021 to 31 December 2021 and therefore constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since Masterknit was 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 transactions described above were 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.

(3) Acquisition of 71.9% Equity Interest in Masterknit

On 4 June 2021, Crystal Textiles (Bermuda) Limited ("**CTBL**") (a wholly-owned subsidiary of the Company) entered into the Masterknit Agreement with Fashion Fit (being an entity owned by the Controlling Shareholders), pursuant to which CTBL agreed to purchase and Fashion Fit agreed to sell 1,437,702 shares of Masterknit, representing approximately 71.9% of the share capital of Masterknit, at the consideration of HK$83,800,000. After the acquisition, Masterknit is owned by CTBL as to approximately 71.9% and Grandmax Holdings Limited as to approximately 28.1%. Masterknit has become a subsidiary of the Company and the financial statements of Masterknit have been consolidated into the Group's consolidated financial statements. The acquisition of 71.9% equity interest in Masterknit was completed on 30 June 2021.

Parties: CTBL (as purchaser) and Fashion Fit (as seller).

Principal terms: CTBL entered into a sale and purchase agreement with Fashion Fit pursuant to which CTBL agreed to purchase and Fashion Fit agreed to sell 1,437,702 shares of Masterknit, representing approximately 71.9% of the share capital of Masterknit, at the consideration of HK$83,800,000.

Reasons for the transaction: The Group is principally engaged in the manufacturing and trading of garments. Masterknit is principally engaged in the development and production of flat knitted shoe upper products. The Board considered that the shoes knitting techniques of Masterknit provided strong technical support to the Group's performance sweater business and the shoes knitting machine capabilities of Masterknit also supported the Group's product innovation. The acquisition represented an opportunity to synergize the resources and technical know-how of the Group and Masterknit, enabling the Group to offer more comprehensive products portfolio and services to its customers. The directors (excluding Mr. Kenneth LO and Mrs. Yvonne LO who abstained from voting at the relevant board meeting) were of the view that the Masterknit Agreement entered into in the ordinary and usual course of business of the Group after arm's length negotiation between the parties, reflected normal commercial terms and was fair and reasonable and in the interests of the Company and its shareholders as a whole.

Consideration: The consideration for the acquisition was HK$83,800,000 and was payable by CTBL to Fashion Fit in cash upon completion of the acquisition. The consideration was financed by the Group's internal resources. The consideration was determined by arm's length negotiation between the parties with reference to, among other things, (i) the abovementioned "reasons for the transaction" and (ii) the valuation report produced by an independent valuer.

As Fashion Fit is a wholly-owned subsidiary of CGL, which is wholly owned by the Controlling Shareholders, Fashion Fit is a connected person of the Company and the acquisition constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios for the acquisition were more than 0.1% but less than 5%, the acquisition was exempt from the circular (including independent financial adviser review) and independent shareholders' approval requirements but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Renewal of Connected Transactions

In December 2021, the Group renewed certain lease agreements with Tanbo Development Limited, Happy Field Company Limited and Joint Access Limited under the 2021 Leases, the terms of which will expire on 31 December 2022. Details of the renewal of leases were set out in the announcement made by the Company on 16 December 2021.

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 of the Company as a whole.

Pursuant to Rule 14A.56 of the 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 2021, 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 2021, 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 2021, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the 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%
Mr. Howard LO	Beneficial owner	1,345,680	0.05%

Notes:

(a) All positions are long positions.

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

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

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

Save as disclosed above, at 31 December 2021, 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 2021, the following person(s) (other than the Directors or chief executive of the Company), were directly or indirectly, interested in 5% or more of the shares or short positions in the shares and the underlying shares of the Company, which are required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein:

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

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

Save as disclosed above, at 31 December 2021, the Directors are not aware of any other corporation or individual (other than the Directors or chief executive of the Company) who had an interest or a short position in the shares or underlying shares of the Company 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 2021 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 36 to 56 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 2021.

AUDITOR

The consolidated financial statements for the year ended 31 December 2021 have been audited by Messrs. 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 Messrs. Deloitte Touche Tohmatsu as the independent auditor of the Company will be proposed at the forthcoming AGM.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In 2021, 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 2021 on pages 60 to 132 of this annual report.

On Behalf of the Board
LO Lok Fung Kenneth
Chairman
16 March 2022

CORPORATE GOVERNANCE FRAMEWORK

The Group believes that good corporate governance can enhance its overall effectiveness thus creating 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 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 2021, 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 2021 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 CG 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 the implementation of 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 code provision A.2.1 in Part 2 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 maintain the highest standards of corporate governance. It recognises diversity at Board level as 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 to support the execution of its business strategies.

At 31 December 2021, the Board comprised six 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 16 to 22 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
	Mr. Howard LO	CDC
Independent Non-executive Directors (INEDs)	Mr. GRIFFITHS	AC NC
	Mr. CHANG	AC RC CDC
	Mr. MAK	AC RC NC CDC
	Mr. Kent WONG	RC NC CDC

The Company has received an annual confirmation of independence from each independent non-executive director 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 2021. The Board recognises diversity at board level as an essential element in maintaining the Company's competitive advantage and sustainable development. 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 enhance its effectiveness.

Gender Diversity

At 31 December 2021, Crystal employed around 77,000 people, being 30.8% male and 69.2% female. Our female representation within the workforce continues to be maintained at a high level and amongst other listed companies. The Company has achieved gender diversity at the Board and senior management level with one female director on the Board (the female representation at the board and senior management is 7.69%). Appropriate emphasis on maintaining gender diversity has been placed in the reviews of board composition, board diversity and succession planning to ensure a pipeline of potential successors in achieving and maintaining gender diversity.

The following table sets out the Workforce Gender Diversity by region and gender at 31 December 2021:

	Percentage of Workforce		
Country	**Total**	**Male**	**Female**
Vietnam	54%	29%	71%
China	16%	38%	62%
Bangladesh	12%	44%	56%
Cambodia	12%	19%	81%
Sri Lanka	5%	27%	73%
Hong Kong and other offices in Asia	1%	42%	58%
Total	100%	30.8%	69.2%

Chairman and Chief Executive Officer ("CEO")

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 the CEO to ensure a balance of power and authority.

Appointment and Re-election of Directors

There is a written nomination policy and process (that is formal, considered and transparent) for the selection and appointment of new Directors and a plan for orderly succession of 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 2021. 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, namely 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 its independence, while the Remuneration Committee and the Nomination Committee comprise a majority of independent non-executive directors so that effective independent judgment 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 39 to 49 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 and the list of Directors and their roles and functions are regularly revised, updated and published on the websites of the Group and the Stock Exchange.

AUDIT COMMITTEE REPORT

Committee Composition and Meetings

During the year ended 31 December 2021, the composition of the Audit Committee changed. Mr. TSE retired from office as an independent non-executive director of the Company and ceased to be a member of the Audit Committee with effect from the conclusion of the annual general meeting on 2 June 2021. Mr. MAK, an independent non-executive director of the Company, was appointed a member of the Audit Committee with effect from 2 June 2021. 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
  (retired with effect from 2 June 2021)
- Mr. CHANG George Ka Ki
- Mr. MAK Wing Sum Alvin
  (appointed with effect from 2 June 2021)

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 HKEx 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 auditor
- Reviewing the continuing connected transactions

The work of the Audit Committee and of the Internal Audit Department continued to be 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 2021, the Audit Committee reviewed the Group's audited consolidated financial statements and reports relating to the year ended 31 December 2020 together with the external auditor, satisfying itself as to the extent of work done by the external auditor, 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 2021. 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 2021 on 14 March 2022 and noted the considerable efforts made by both the Group's finance and accounting staff and the staff of the auditor to complete their work in time for the Audit Committee's 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 2021 was (a) the significant matter of succession at the senior management level; (b) the nature and effectiveness of risk management within the Group with particular focus on cyber security; and (c) the progress of the digital transformation and the consequent revamping of various systems. 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 2020. 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. The risk management and internal controls of the Group were reviewed at each Audit Committee meeting. The resources, staff qualifications and experience, training programmes and budget of the internal audit functions and accounting and financial reporting functions of the Group were reviewed and considered to be adequate.

Despite the impact of the COVID-19 virus during 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. The Audit Committee reviewed the structure of the Internal Audit Department together with the location of the Group's manufacturing activities. It concluded that it would be sensible to establish an internal audit team in Vietnam. Its recommendation was adopted by the Board and initial planning was being put in place by the end of the year.

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 2021 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 whistleblowers and satisfies itself as to the appropriateness of actions taken by management in response to the complaints. The Audit Committee, noting that no complaints were made during the year, reported accordingly to the Board that refreshed the advice individually to all senior management, operating units and on the Company's website.

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 three times during the year with the submission of written reports from time to time 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 actions taken to improve cyber protection. In the latest report, the number of attacks decreased compared to 2020 and none had caused any significant damage or problem. The most recent penetration test showed very few areas of vulnerability and none of a significant nature further verifying the improvements made to cyber defences during 2021. The rolling out of further improvements to all systems operated within the Group and the education of all employees of the Group in cyber security measures was continued during the year.

In view of the digital transformation and upgrading of the Group's major administrative, financial and operating systems that are taking place, the Audit Committee requested the Board for and obtained regular progress reports from the project owners and coordinators giving status update. There was extensive discussion with the project coordinators regarding the potential risk areas and the timeline of the system transformation to ensure key risks were mitigated and necessary headcount and other resources were deployed to achieve the satisfactory progress of the projects during the year.

The Audit Committee also considered people risk being highly significant for the Group. Necessary action relating to succession planning, especially for senior management positions, and the development of programmes to attract, develop and retain suitable successors had been undertaken by the Human Resources Department and were reviewed by the Internal Audit Department. The Head of Human Resources met the Audit Committee three times during this year to report progress and to discuss the key risk areas. The Board had the same view as the Audit Committee in categorising people risk as highly significant for the Group. Consequently, top management focused further attention in this area during the year with a carefully designed succession planning programme to tackle the problems identified being commenced under top management oversight.

Towards the end of 2021, the Audit Committee added climate change as a comprehensive topic and a standing item on its agenda in order to review regularly the effectiveness of the implementation of the Group's policies in this very important area.

Receiving Reports from the External and Internal Auditors

External Auditor

The Audit Committee met the external auditor four times during 2021, once without other management present. The external auditor's work, in particular the areas of key focus, was extensively reviewed as were the points recorded in the external auditor's management letter issued after the audit of the annual consolidated financial statements for the year ended 31 December 2020. The Audit Committee satisfied itself regarding the actions taken and proposed to be taken by management to resolve the points raised by the external auditor. As part of its terms of reference, the Audit Committee reviewed with the external auditor its 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 auditor and satisfied itself they were reasonable for the scope of work being undertaken. Consequently, the Audit Committee recommended to the Board that the external auditor be reappointed and this recommendation was endorsed by the Board then confirmed at the Annual General Meeting during 2021.

Internal Audit

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 in addition to key risk mitigation. 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, 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. The discussion includes a discussion of the performance of the Chief Executive Officer. 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.

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 2022, the Audit Committee reviewed the connected transactions for 2021 had not exceeded the caps approved by the Board for each transaction for 2021 and certified this outcome to the Board.

Anthony GRIFFITHS
On behalf of the Audit Committee
16 March 2022

REMUNERATION COMMITTEE REPORT

Committee Composition and Meetings

During the year ended 31 December 2021, the composition of the Remuneration Committee changed. Mr. TSE retired from office as an independent non-executive director of the Company and ceased to be a member of the Remuneration Committee with effect from the conclusion of the annual general meeting on 2 June 2021. Mr. Kent WONG, an independent non-executive director of the Company, was appointed a member of the Remuneration Committee with effect from 4 June 2021. The Remuneration Committee comprises four members:

- Mr. MAK Wing Sum Alvin (Chairman) – independent non-executive director
- Mr. TSE Man Bun Benny (retired with effect from 2 June 2021) – independent non-executive director
- Mr. CHANG George Ka Ki – independent non-executive director
- Mr. WONG Siu Kee (appointed with effect from 4 June 2021) – independent non-executive director
- Mr. LO Lok Fung Kenneth – executive director and chairman of the Board

The Remuneration Committee met twice during 2021 and all members attended each meeting.

Committee Purpose

In accordance with its 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 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 conducts annual reviews of salaries, bonuses and benefits of directors and senior management. It recommends to the Board proposals for overall reward and appropriate remuneration for directors and senior management. In addition to financial performance of the relevant years, the Remuneration Committee makes reference to various other factors in setting remuneration for directors and senior management in order to ensure they are fairly rewarded with regards to the size and complexity of the operations and their individual contributions as well as to retain high calibre management.

Comprehensive market benchmarking was conducted to compare remuneration of directors and senior management with compensation figures for senior executives of comparable companies. The Head of Human Resources met the Remuneration Committee twice during the year to provide information to facilitate in respect of 2021:

- structuring of the bonus payout plan;
- recommendations for bonus awards;
- development of total compensation position and changes in total compensation; and
- industry compensation benchmarking of directors and senior management.

The Remuneration Committee is satisfied that this reward setting mechanism is robust and flexible in assisting to motivate directors and senior management to pursue successful achievement of organisational goals.

During the year ended 31 December 2021, the Remuneration Committee discussed and agreed on its recommendations in respect of the fees and annual salaries of individual independent non-executive directors, non-executive directors, executive directors and senior management.

MAK Wing Sum Alvin
On behalf of the Remuneration Committee
16 March 2022

NOMINATION COMMITTEE REPORT

Committee Composition and Meetings

During the year ended 31 December 2021, the composition of the Nomination Committee changed. Mr. Kent WONG, an independent non-executive director of the Company, was appointed a member of the Nomination Committee with effect from 4 June 2021. The Nomination Committee comprises four 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
- Mr. WONG Siu Kee (appointed with effect from 4 June 2021) – independent non-executive director

The Nomination Committee met twice during 2021 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). The Nomination Committee made recommendations to the Board on the Board composition, the key profiles for new independent non-executive director and the Board's role and responsibilities. In addition, the Nomination Committee conducted interviews with a candidate, assessed the independence and the board diversity both before and after his nomination to the Board for appointment as an independent non-executive director effective 4 June 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. 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 independent non-executive directors to be effected within the coming three years to allow proper time for acclimatisation and effective handover of role. Specifically, the Nomination Committee has reviewed the suitability of Mr. Mark LEE to be a non-executive director of the Company and was unanimous in recommending to the Board his appointment which was made effective 1 February 2022.

In addition, the Nomination Committee reviewed the training and development programmes for certain senior management to assist in developing their readiness over time to be appointed to top management positions and was satisfied with the progress made.

The Nomination Committee recommended to the Board that, in view of the difficult operating environment experienced by garment manufacturers generally and the Company in particular in 2021 and the necessary focus being given to both succession management plus the systems upgrade in progress during 2021, the assessment of board performance shall be deferred to 2022. This recommendation was adopted by the Board.

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
16 March 2022

CORPORATE DEVELOPMENT COMMITTEE REPORT

Committee Composition and Meeting

During the year ended 31 December 2021, the composition of the Corporate Development Committee changed. Mr. Kent WONG, an independent non-executive director of the Company, was appointed a member of the Corporate Development Committee with effect from 4 June 2021. The Corporate Development Committee comprises nine members including eight directors and one senior management executive:

- 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 – executive director
- Mr. CHANG George Ka Ki – independent non-executive director
- Mr. MAK Wing Sum Alvin – independent non-executive director
- Mr. WONG Siu Kee (appointed with effect from 4 June 2021) – independent non-executive director
- Mr. LEE Kean Phi Mark – non-executive director
- Mr. LI Wai Kwan – Chief Financial Officer

The Corporate Development Committee met once during 2021 and all members attended the meeting.

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; and
- 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 2021, the Corporate Development Committee reviewed the potential corporate development opportunities and strategies for business expansion.

LO Ching Leung Andrew
On behalf of the Corporate Development Committee
16 March 2022

DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the Directors during the year ended 31 December 2021 are:

	Fees US$'000	Salaries and allowances US$'000	Performance-based bonuses (note iii) US$'000	Retirement benefit schemes contributions US$'000	Total US$'000
For the year ended 31 December 2021					
Executive Directors (note i):					
Mr. Kenneth LO	–	710	–	–	710
Mrs. Yvonne LO	–	369	–	–	369
Mr. Andrew LO (note iv)	–	783	1,140	14	1,937
Mr. Frankie WONG	–	296	593	16	905
Mr. Dennis WONG	–	739	1,009	39	1,787
Mr. Howard LO (note v)	–	408	503	23	934
Independent Non-executive Directors (note ii):					
Mr. GRIFFITHS	55	–	–	–	55
Mr. TSE (note vi)	21	–	–	–	21
Mr. CHANG	53	–	–	–	53
Mr. MAK	63	–	–	–	63
Mr. Kent WONG (note vii)	28	–	–	–	28
	220	3,305	3,245	92	6,862

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 2021.

(v) Mr. Howard LO was appointed an executive director of the Company with effect from 1 January 2021.

(vi) Mr. TSE retired from office as an independent non-executive director of the Company with effect from the conclusion of the annual general meeting on 2 June 2021.

(vii) Mr. Kent WONG was appointed an independent non-executive director of the Company with effect from 4 June 2021.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the year ended 31 December 2021. None of the Directors has waived any emoluments during the year ended 31 December 2021.

FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

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

	2021 US$'000
Salaries and allowances	**2,621**
Performance-based bonuses (note)	**3,798**
Retirement benefit schemes contributions	**103**
	6,522

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 2021	Number of employees 2021
HK$7,000,001 to HK$7,500,000	2	1
HK$13,500,001 to HK$14,000,000	1	–
HK$15,000,001 to HK$15,500,000	1	–
	4	1

During the year ended 31 December 2021, 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 22 of this annual report, for the year ended 31 December 2021 were within the following bands (presented in HK$):

	Number of senior management
HK$4,500,001 to HK$5,000,000	2
HK$6,000,001 to HK$6,500,000	1

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 (being Mr. Kenneth LO, Mrs. Yvonne LO, Mr. Andrew LO, Mr. Frankie WONG, Mr. Dennis WONG, Mr. Howard LO, Mr. GRIFFITHS, Mr. CHANG, Mr. MAK and Mr. Kent WONG) participated in appropriate continuous professional development activities including the Company's in-house update training for Directors during the year ended 31 December 2021 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 programme held during the year ended 31 December 2021 are set out in the table below:

Name of Directors	Board (note 1)	Audit Committee (note 2)	Remuneration Committee	Nomination Committee	Corporate Development Committee	2021 AGM	Development Programme (note 3)
	Number of Meetings Attended/Held						
Executive Directors (EDs)							
Mr. Kenneth LO	5/5*		2/2	2/2*		1/1	2/2
Mrs. Yvonne LO	5/5					1/1	2/2
Mr. Andrew LO	5/5		2/2 (note 4)	2/2 (note 4)	1/1*	1/1	2/2
Mr. Frankie WONG	4/5				1/1	1/1	2/2
Mr. Dennis WONG	5/5				1/1	1/1	2/2
Mr. Howard LO	5/5				1/1	1/1	3/3
Independent Non-executive Directors (INEDs)							
Mr. GRIFFITHS	5/5	5/5*		2/2		0/1	2/2
Mr. TSE (note 5)	1/1	1/1	1/2			1/1	
Mr. CHANG	5/5	5/5	2/2		1/1	1/1	2/2
Mr. MAK (note 6)	5/5	4/4 (note 5)	2/2*	2/2	1/1	1/1	2/2
Mr. Kent WONG (note 7)	4/4		1/1	1/1			4/4
Approximate average duration per meeting (hour)	4.2	2.2	2.0	1.5	2	0.3	1.2

* representing chairman of the Board or relevant board committees.

Notes:

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

(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 programme for the Directors.

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

(5) Mr. TSE retired from office as an independent non-executive director of the Company with effect from the conclusion of the annual general meeting on 2 June 2021.

(6) Mr. MAK was appointed a member of the audit committee of the Company with effect from 2 June 2021.

(7) Mr. Kent WONG was appointed an independent non-executive director and a member of each of the Remuneration Committee, the Nomination Committee and the Corporate Development Committee of the Company with effect from 4 June 2021.

EXTERNAL AUDITOR

The Group's independent external auditor is Messrs. 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 2021, the total fees paid/payable in respect of services provided by Messrs. Deloitte Touche Tohmatsu were US$1.2 million, comprising fees for audit services US$0.9 million and for non-audit services (including tax filing and advice) US$0.3 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 judgments 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 2021 is set out in the Independent Auditor's Report on pages 133 to 137 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 and 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 and 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 and considered the existing system to be both effective and adequate. The adequacy of resources, qualified staff, training courses and budgets in its accounting, internal audit and financial reporting functions and the relevant environmental, social and governance performance and reporting of the Group were also reviewed. 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 updating the relevant risks
- reporting 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 but not absolute assurance against material misstatement or loss.

INTERNAL AUDIT

Reporting to the Audit Committee, the Internal Audit Department (refer to page 42) 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 2021. 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, Mr. Edmund NG was appointed the Company Secretary of the Company with effect from 1 May 2021 following the resignation of Mr. LI as the Company Secretary. The Company Secretary reports directly to the Board and is responsible for providing updated and timely information to all Directors.

During the year ended 31 December 2021, Mr. Edmund NG and Mr. LI complied with all the required qualifications, experience and training requirements under Rule 3.29 of the Listing Rules during their respective periods of tenure.

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 (5-7/F., AXA Tower, Landmark East, No.100 How Ming Street, 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 (5-7/F., AXA Tower, Landmark East, No.100 How Ming Street, 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 code provision F.2.2 in Part 2 of 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 15 June 2022 to answer shareholders' questions relating to the conduct of the audit, the preparation and content of the auditor's 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. The relevant part of the shareholders' communication policy was reviewed during the year. Sufficient channels for shareholders to communicate their views on various matters affecting the Company and the steps to solicit and understand the views of shareholders and stakeholders were considered to be sufficient. The implementation of the policy and the communication with shareholders were effective.

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 2021 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 out some of the major awards presented by renowned organisations to the Group during 2021:

Organisation	Recognition/Award
The Hong Kong Management Association	2021 Best Annual Reports Awards – Certificate of Excellence in ESG Reporting
HR Asia	Best Companies to Work for in Asia 2021
Hong Kong ESG Reporting Awards (HERA)	Best ESG Report – Mid-cap Commendation 2021
The Federation of Hong Kong Industries	BOCHK Corporate Environmental Leadership Awards 2020: Silver Award, 5 Years+ EcoPioneer, EcoChallenger and EcoPartner
International Finance Corporation	Excellence in Design for Greater Efficiencies (EDGE) Certificates
World Wide Fund for Nature (WWF) – Hong Kong	Platinum and Gold Labels – Low Carbon Manufacturing Programme (LCMP)
World Benchmarking Alliance	SDG2000: The 2,000 Most Influential Companies for a Sustainable Future

The recognition provided by these awards further inspires the Board 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 more 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 Shareholders"	collectively refers to Mr. Kenneth LO and Mrs. Yvonne LO
"Corporate Development Committee" or "CDC"	the Corporate Development Committee of the Company
"Coronavirus-19" or "COVID-19"	the 2019 Novel Coronavirus
"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" 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"	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 of Hong Kong Limited
"Masterknit"	Masterknit Limited
"Model Code"	the Model Code for Securities Transactions by directors of Listed Companies
"MPF Scheme"	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. Edmund NG"	Mr. NG Tsz Yeung
"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. Kent WONG"	Mr. WONG Siu Kee
"Mr. LI"	Mr. LI Wai Kwan
"Mr. Mark LEE"	Mr. LEE Kean Phi Mark
"Mr. MAK"	Mr. MAK Wing Sum Alvin
"Mr. TSE"	Mr. TSE Man Bun Benny

"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)
"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$0.01 each in the issued capital of the Company
"Stock Exchange", "Hong Kong Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited
"Trustee"	The Core Trust Company Limited, an independent professional trustee
"U.K."	the United Kingdom
"US$"	United States 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

SUSTAINABILITY REPORT 2021

CONTENTS

About This Sustainability Report

This Sustainability Report 2021 (the "**Report**") is prepared in compliance with the Environmental, Social and Governance ("**ESG**") Reporting Guide set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), as well as with reference to the Global Reporting Initiative ("**GRI**") Standards. As the first sustainability report published after the new ESG Reporting Guide has taken effect, this Report places emphasis on fulfilling the Stock Exchange's new requirements and disclosures in ESG reporting.

This Report covers the sustainability performance of Crystal International Group Limited ("**Crystal**" or "**Crystal International**" or the "**Company**" or "**we**" or "**our**" or "**us**") for the calendar year 2021 (i.e. from 1st January 2021 to 31st December 2021). The Report covers all our 18 manufacturing facilities ("**factories**") in five countries – Vietnam, China, Cambodia, Bangladesh and Sri Lanka. This Report summarises the positive steps and efforts we have made together with how we will both navigate risks and opportunities and address material sustainability topics.

Spreading Care Amidst the Pandemic

The prolonged COVID-19 pandemic, especially in Asian countries, posed a continuing challenge to our operations in 2021. Our factories were dedicated in their determination to protect all our people by implementing stringent precautionary measures, maintaining safe working environments, distributing relief materials and necessities and supporting local governments plus communities by donations. These preventive measures were well regarded by our customers and helped us to maintain the reasonably smooth running of our operations. We also kept up the momentum in the empowerment of women, especially since women account for 70% of our total workforce. We responded to the need for social distancing, by digitising different training, such as digital P.A.C.E., and utilising both online platforms and mobile apps, e.g. WOVO, for employee communication.

Towards Net Zero 2050

We have been implementing sustainability measures since 2007 and in 2021 we went further by committing to net zero emissions by 2050 in order to play our part to combat climate change and to keep global warming below 1.5°C. We also set an interim target of reducing 35% aggregate greenhouse gas emissions by 2030. To accomplish this goal, we will escalate our energy efficiency, make greater use of renewable energy and explore green technologies for building resilience in Crystal. We are also setting appropriate strategies and developing our long-term decarbonisation roadmap. These important actions demonstrate our dedicated role in transitioning to net zero operations and thereby influencing our global stakeholders along the supply chain to join us in aiming to achieve net zero.

As a pioneering garment manufacturer, we have adopted and continue to implement a series of innovations, including system transformation, digitalisation and automation and the application of advanced technology, smart factories and smart warehouses, to accelerate the change to greater sustainability.

We welcome your valuable feedback on this Report in relation to our sustainability initiatives, standards, and policies. For any related enquiries, please contact us at sustainability@crystalgroup.com.

Catherine CHIU
General Manager
Corporate Quality & Sustainability Department

Sustainability Governance

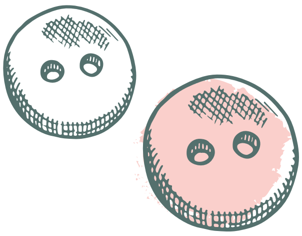
The Board of Directors (the "**Board**") retains overall responsibility for overseeing Crystal's sustainability and climate-related strategy, policy and annual reporting. The role of the Board involves steering and supervising sustainability initiatives and actions combatting the effects of climate change to ensure their effectiveness and relevance in light of the evolving sustainability landscape.

Our Global 5-year Sustainability Targets provide a strategic direction for all our factories. The sustainability performance and progress made against the goals are reported quarterly to the Executive Committee (the "**Execo**") members and biannually to the Board for review.

To identify and manage sustainability and climate-related risks, as part of an effective risk management system, a mechanism for internal communication and a reporting model are in place to keep the Board and Execo members informed in a timely manner. All material sustainability and climate-related key risks and opportunities, that may have a potential impact on the Group, are reported to our CEO and Execo members on a half-yearly basis.

As authorised by the Board and led by one of our Executive Directors, the Corporate Quality and Sustainability (the "**CQS**") Department is empowered to develop sustainability and climate-related strategies and policies, implement and review relevant initiatives, review performance and prepare the Sustainability Report. The CQS and sustainability departments of factories are responsible for executing projects, evaluating results, monitoring potential risks and reporting on performance to senior management.

Please refer to the section "Stakeholder Engagement" for our processes used to evaluate, prioritise and manage material ESG-related issues.



Our Sustainability Vision and Approach

Our Sustainability Framework and UN SDGs

We started specifically focusing on sustainability in 2007 when we developed our sustainability framework, providing guiding principles in our planning of sustainability strategies. The framework comprises five pillars:

Environment Innovation Product integrity Employee care Community engagement

Our framework and initiatives align with the Sustainable Development Goals ("**SDGs**") of the United Nations ("**UN**") to address global challenges for building a sustainable future.

Highlighted Initiatives

Environment

- Global 5-year Sustainability Targets
- UN Fashion Industry Charter for Climate Action
- Group-wide rooftop solar panel plan
- Corporate decarbonisation package
- CDP disclosure
- Task Force on Climate-related Financial Disclosures ("**TCFD**")
- Global partnership for circularity
- Eco-product development
- Holistic water conservation

Innovation

- Automation for operational efficiency and effectiveness
- Digitalisation in product development
- Manufacturing excellence to achieve industry 4.0
- Planning and building smart factories and smart warehouses

Product integrity

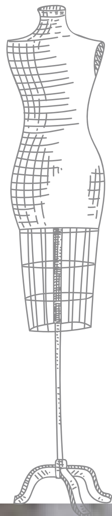
- Quality Policy and corporate guidelines to heighten customer satisfaction
- Quality management system throughout our business operations
- Virtual robots for quality analysis
- Managing the quality performance of the supply chain

Employee care

- People-oriented culture and strategy
- Engagement activities to promote gender equality
- Talent development and capacity building
- CARE programme and P.A.C.E. for the empowerment of women
- Comprehensive pandemic control measures and monitoring
- Promoting health and safety culture and awareness

Community engagement

- Creating shared values with local communities
- Employee volunteering to address the needs of different social strata
- Advancing collaboration for healthy and sustainable communities
- Consistent support and assistance for community resilience



UN Global Compact

We joined the UN Global Compact and we support the Ten Principles on human rights, labour, the environment and anti-corruption. Together with 19,000 participating companies and organisations, we are committed to making the principles part of our strategy, culture and daily operations and to engaging with industry players in different collaborative projects which advance the broader development goals of the UN, particularly the SDGs.

The Ten Principles of the United Nations Global Compact

Businesses should:

HUMAN RIGHTS	1. Support and respect the protection of internationally proclaimed human rights. 2. Make sure that they are not complicit in human rights abuses.
LABOUR	3. Uphold the freedom of association and the effective recognition of the right to collective bargaining. 4. Uphold the elimination of all forms of forced and compulsory labour. 5. Uphold the effective abolition of child labour. 6. Uphold the elimination of discrimination in respect of employment and occupation.
ENVIRONMENT	7. Support a precautionary approach to environmental challenges. 8. Undertake initiatives to promote greater environmental responsibility. 9. Encourage the development and diffusion of environmentally friendly technologies.
ANTI-CORRUPTION	10. Work against corruption in all its forms, including extortion and bribery.

Third Global 5-year Sustainability Targets (2018–2022)

We set our First Global 5-year Environmental Targets in 2007 and started to pursue our Third Global 5-year Sustainability Targets in 2018, that include both environmental and social indicators. Our third set of targets is dedicated to taking our sustainable apparel manufacturing to the next level.

	Targets	2021 Performance	
Environment	Reduce carbon footprint per garment by 10%	–9%	
	Reduce freshwater consumption per garment by 8%	–52%	achieved
	Plant 1 million trees	663,000	
Social	Empower 40,000 females through our CARE Programme	49,500	achieved
	Engage employees in 10,000 volunteering hours	55,800	achieved

Notes:

– Base year of carbon and freshwater targets: 2017

– The carbon and freshwater footprints are calculated as follows:

- Carbon intensity = total carbon emissions divided by "equivalent garment piece" produced
- Freshwater intensity = total freshwater consumption divided by "equivalent garment piece" washed

"Equivalent garment piece" is a common unit to express our garments produced and washed, by normalising the carbon emissions or water consumption respectively of our different product types.

Our different product types have different levels of carbon emissions and freshwater consumption. The use of "equivalent garment piece" for intensity calculations representatively reflects the characteristics of carbon emissions and freshwater consumption of different product types.

– The figures for tree planting, women empowerment and volunteering hours are cumulative figures between 2018 and 2021.

– The figure for women empowerment counted the number of female employees who were engaged in level 2 or above of the CARE programme.

Our Progress in 2021

Despite the uncertainties in 2021 posed by the COVID-19 pandemic, all our factories forged ahead in achieving the targets collaboratively.

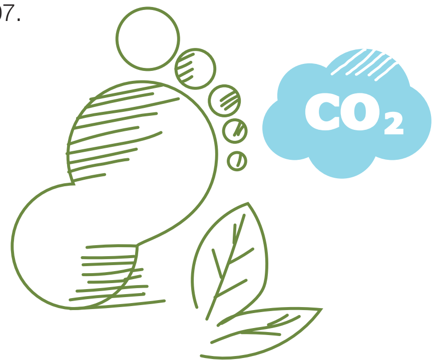
Environment

Carbon reduction

Our carbon reduction target is an indicator signifying our progress in both decarbonisation and energy savings. We are on track to accomplish our carbon reduction target, with a 9% reduction per garment compared to the 2017 base year figure. In response to the immediate threat of climate change to different industries and to the planet, we are stepping up our long-term commitment – Net Zero 2050, in line with the climate science. Please discover more details in the section "Sustaining Our Future".

We have significantly increased the scales of various energy efficiency measures and low carbon manufacturing practices. Our carbon footprint per product has reduced by 40% since 2007.

Our per product carbon footprint has reduced by **40%** since 2007.



Freshwater conservation

We have exceeded our freshwater conservation target by virtue of the joint efforts of our factories over the past few years. Our key strategy embodies the wider adoption of water-efficient washing technologies such as e-soft, ozone and laser, which can save from 70% to 90% of freshwater as compared to conventional processes. In addition, our factories have exploited the use of recycled water in the production processes as far as practical.

Tree planting

The protracted pandemic created additional challenges for us in organising tree planting activities. To maintain our efforts towards the accomplishment of this goal, we commenced engaging several potential tree planting partners to assist to achieve our plan in 2022.

Social

Although we exceeded the targets on women empowerment and volunteering hours, we maintained our positive pace to empower female employees and participate in various types of community services.

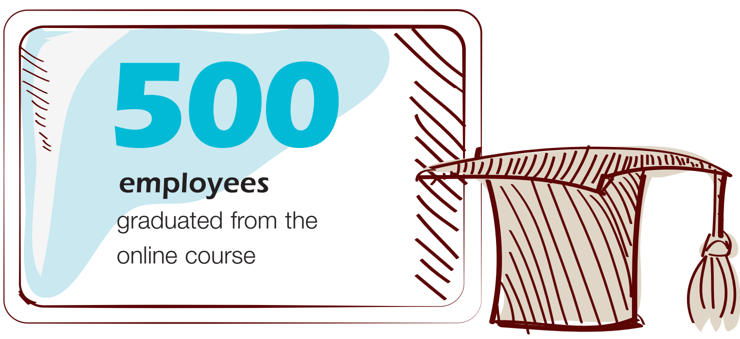
Women empowerment

We continued to put our utmost effort into promoting gender equality. We have already empowered 49,500 female employees in our factories to date, through our self-developed CARE programme, which covers the P.A.C.E. programme initiated by Gap Inc. and the HERproject initiated by Business for Social Responsibility ("**BSR**"). In 2021, we empowered 6,151 female trainees during a total 81,164 training hours, providing comprehensive learning and development opportunities to our female employees. With such knowledge as financial literacy, health and safety, time management and career advancement, our female employees are able to thrive in both their working and personal lives to unleash their potential.

Transformation to digital P.A.C.E. Training

We have long been an important partner of the P.A.C.E. programme developed by Gap Inc. to create sustainable economies and a culture of equality and belonging for women. To provide a more flexible training mode, our denim factory in China introduced the digital P.A.C.E. learning in 2019.

We were the first vendor of Gap Inc. to organise P.A.C.E. digitally. Gradually, six of our factories in different countries adopted the digital P.A.C.E., which was developed by Crystal and approved by Gap Inc. in 2021. During the year, 500 employees graduated from the online course.



P.A.C.E.
Gap Inc.

In P.A.C.E. Awards 2021 by Gap Inc., our denim factory in China won the "Digital Content Creator Award", and our denim factory in Cambodia won the "P.A.C.E. Photo of the Year Award", which signified our efforts in building a culture of equality and belonging for women in both the industry and the community.

Community services

Our employees contributed a total of 32,000 volunteer hours in 2021, covering the activities of pandemic prevention support, material donation and financial support, blood donation, education, and the like. For more details, please refer to the section “Creating Shared Values with Communities”.

Going Beyond 2022

2022 will be the target year of the Third Global 5-year Sustainability Targets. With the accomplishment of the targets for freshwater, women empowerment and volunteering hours, we will also continue our endeavours to achieve the carbon reduction and tree planting targets.

Looking ahead, in addition to our long-term climate goal, we will determine our next milestone by drawing up the “Crystal Sustainability Vision 2030” to focus our efforts beyond the completion of the Third Global 5-year Sustainability Targets. The vision will comprise a comprehensive set of social and environmental targets to address the industry sustainability challenges, leading us to reach new heights.

Stakeholder Engagement

We identify stakeholders who are impacted by our decisions, activities and outcomes, then select those with whom we frequently interact to provide feedback under the reporting principles of materiality and inclusiveness. We actively engage with different stakeholder groups through various communication channels on a continuing basis to allow two-way communication to support an understanding of their expectations, interests, requirements and needs.

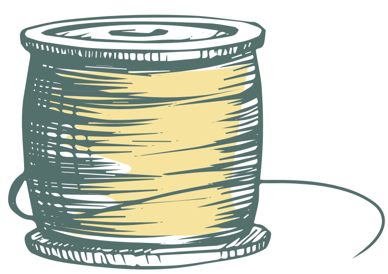
To stay connected with our stakeholders when in-person meetings and physical engagement activities were still limited, we utilised diverse communication channels, such as meeting our stakeholders through online meetings. We have also grown our social media presence and used other online platforms to gather opinions from our stakeholders.

Stakeholder Groups

- Customers
- Employees
- Communities
- Governments
- Institutions
- Media
- NGOs
- Shareholders
- Suppliers

Diverse Communication Channels

- Announcements
- Direct mail
- Focus groups
- Interviews
- Intranet and external websites
- Meetings (virtual and in-person)
- Press releases
- Site visits
- Sustainability reporting
- Surveys
- Social media

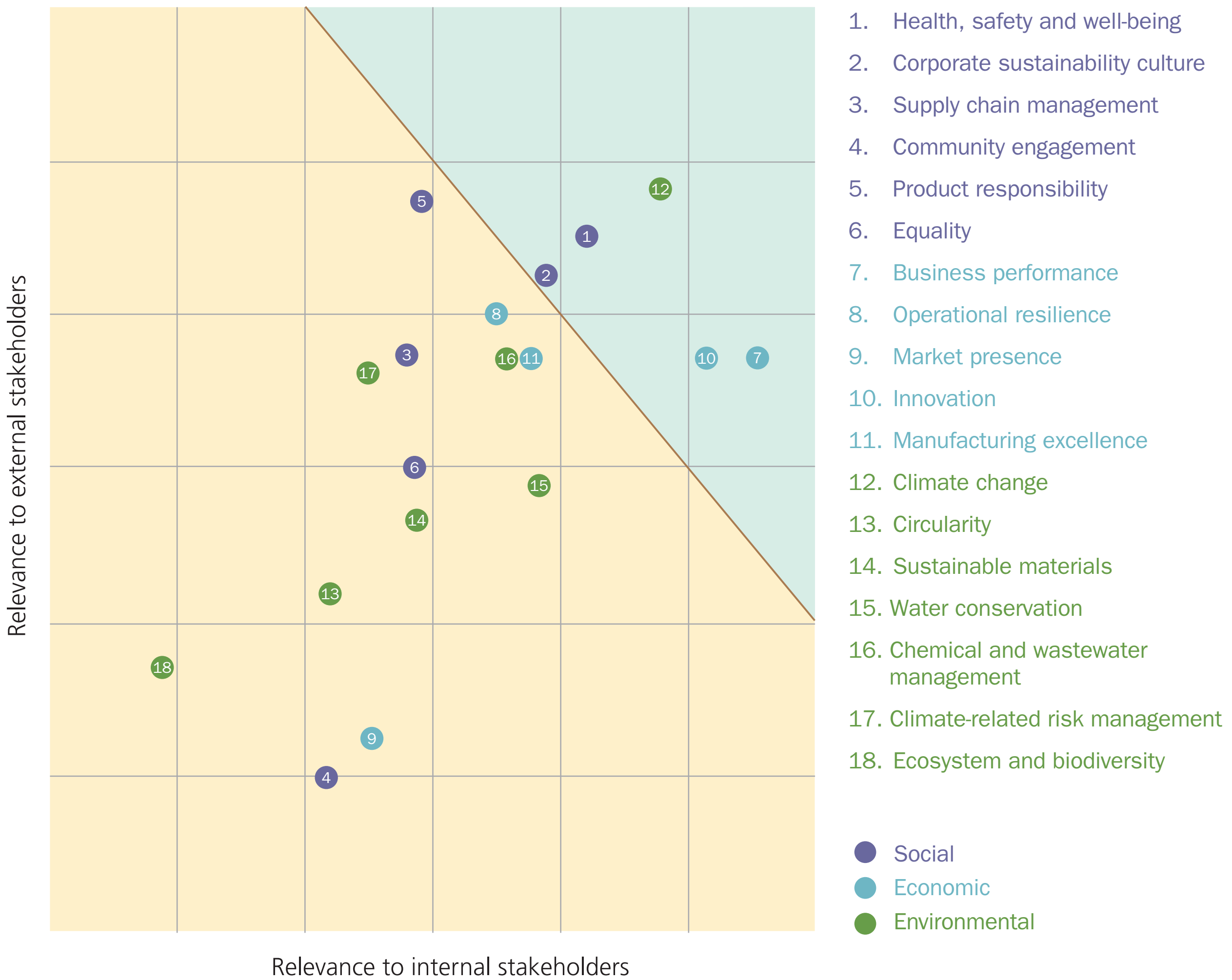


Materiality Assessment

We engaged both significant internal and external stakeholders as a fundamental part of our materiality assessment to identify issues within the environment, society and the economy that are relevant to us and our stakeholders.

Through the evaluation of feedback collected and survey analysis, we have built the materiality matrix, representing opinions across our internal and external stakeholders, such as senior management, employees, NGOs and business partners.

Materiality Matrix



Material issues under our spotlight

The following topics are identified as material to our business and sustainability:

- Climate change
- Business performance
- Innovation
- Health, safety and well-being
- Corporate sustainability culture

Having been reviewed and endorsed by the Board, these topics will be prioritised in our strategic planning for greater sustainability.

Key Strategy to Address Stakeholder Concerns

We have strategised our course of action to actively respond to the material topics that our stakeholders are concerned about.

Climate change

- Net zero roadmap towards 2050
- Interim science-based target 2030 – reducing 35% absolute carbon emissions
- Group-wide rooftop solar panel plan
- Corporate decarbonisation package
- Transparency of climate actions and emissions – CDP and TCFD
- Climate-related risk management
- Wider industry collaborations with customers, institutions, and NGOs

Business performance

- Increasing green energy and energy reduction capital investment in our five-year plan
- Setting key carbon reduction initiatives in our balanced scorecard
- Enhancing factory productivity to drive down carbon emissions and cost
- Increasing investments in green energy and energy reduction initiatives
- Increasing research in energy reduction initiatives

Innovation

- Digitalisation and automation
- Smart factories and smart warehouses
- Manufacturing excellence to achieve Industry 4.0
- Process and product innovation
- Lean production
- Roadmap for artificial intelligence

Health, safety and well-being

- All-round protection against the pandemic
- Occupational health and safety system
- Health and safety training and awareness
- Talent development and capacity building
- CARE programme

Corporate sustainability culture

- Engagement campaigns with global employees
- Multi-faceted sustainability communications
- Linking employees via social media
- Top-down approach with clear sustainability vision
- Open and mutual dialogue with employees

Global Partnerships on Sustainability

Signatory

Global Climate Action
United Nations Climate Change

Participant

THE JEANS REDESIGN

Disclosing Company (Climate Change)

CDP
DISCLOSURE INSIGHT ACTION

Associate Partner

GLOBAL FASHION AGENDA

Manufacturer Partner

BetterWork
A partnership between the UN's International Labour Organization and the International Finance Corporation, a member of the World Bank Group

Gold Member

WWF
Gold Member 黃金會員 2021/22
HONG KONG

Member

Sustainable Apparel Coalition

Founding Member

SFBC
Sustainable Fashion Business Consortium

Corporate Member

HKRITA
THE HONG KONG RESEARCH INSTITUTE OF TEXTILES AND APPAREL 香港紡織及成衣研發中心

Sustaining Our Future

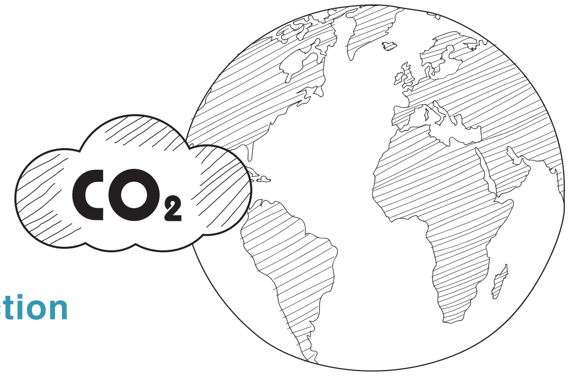
Our Vision to Net Zero 2050

As one of the pioneering garment manufacturers, we are proud to contribute to the global decarbonisation targets by committing to net zero emissions by 2050, in line with the climate science of keeping global warming below 1.5ºC. Approved by the Board, our Net Zero 2050 vision has become one of the critical parts of our corporate strategy.

To achieve this long-term ambition, we will integrate net zero practices into our daily operations and ramp up our decarbonisation actions. We are formulating a net zero strategy, including the enhancement of productivity and energy efficiency, expanding the use of on-site renewable energy and exploring opportunities for both off-site renewable resources and advanced green technologies. We have set our interim target to reduce 35% of our absolute carbon emissions by 2030, aligning with a science-based target approach.

To develop and deploy our net zero strategy towards 2050 vision, we are engaging a consultant to develop a detailed roadmap, so that each of our factories can have their own carbon reduction target and specifically defined decarbonisation measures required to achieve the goals within a clear timetable.

We believe that our vision and initiatives can demonstrate our sustainability leadership while also influencing our stakeholders and industry peers to join us in moving forward to a net zero future.



UN Fashion Industry Charter for Climate Action

Global Climate Action
United Nations Climate Change

As a signatory to the UN Fashion Industry Charter for Climate Action ("**UNFICCA**"), we are committed to transitioning to a low-carbon economy in consistent with a scenario of limiting the rise in global temperature to 1.5ºC. We have been actively participating in the steering committee and working groups formed under the UNFICCA to drive collaborative actions with other industry leaders, accelerate industry decarbonisation and enhance policy and stakeholder engagement.

Our Climate Actions

7 AFFORDABLE AND CLEAN ENERGY

Ramping Up Renewable Energy – Rooftop Solar

Renewable energy is an important instrument to decarbonise our operations. Following our Group-wide solar photovoltaic ("**PV**") adoption plan, we continued our positive steps in 2021 and installed solar PV systems with a total capacity of 3.6 MW in two of our factories in Vietnam, which are expected to generate more than 3,800 MWh of electricity every year, equivalent to around 31-68% of energy consumption of the respective factory buildings.

With these new projects, we now have a total capacity of 4.5 MW solar PV panels. More factories are studying the feasibility of solar PV adoption, and planning new installations in the coming years to cover more operational footprints.

Rooftop solar systems at our lifestyle wear factory and sportswear factory in Vietnam

Corporate Decarbonisation Package

In terms of energy efficiency, we rolled out the corporate decarbonisation package, comprising a set of reduction measures of advanced technologies, heat recovery, efficient equipment, general utilities, etc. The package provides standardised low-carbon setup for our factories.

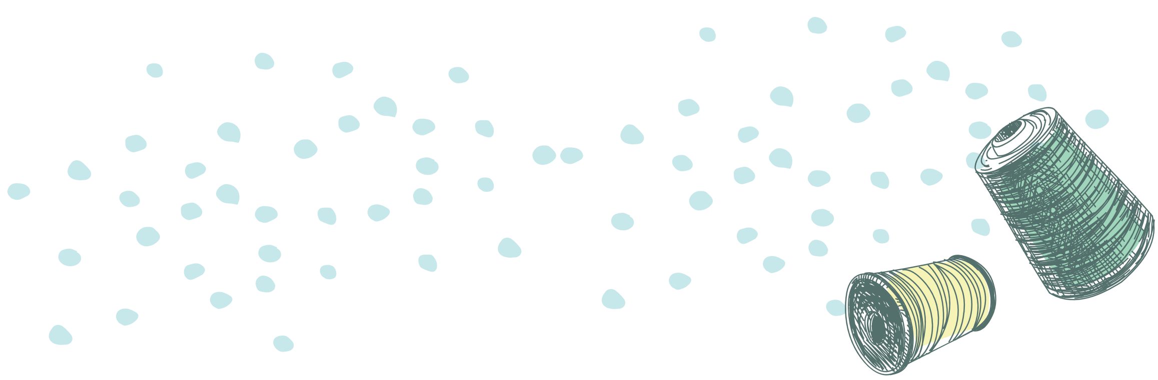
All our factories have mapped out adoption plans and are progressively implementing applicable measures from them. It is expected to result in 3-5% absolute carbon reduction towards 2023.

Our First LCMP Gold Label in Bangladesh

After the successful experience of our factories in Vietnam and China, our intimate factory in Bangladesh joined the WWF-HK Low Carbon Manufacturing Programme ("**LCMP**") and received Gold Label. This is our first LCMP label in Bangladesh, which recognised the good practices in carbon management and energy efficiency.

Our First EDGE Certification in Denim Division

Following the Group's first Excellence in Design for Greater Efficiencies ("**EDGE**") Certificate obtained by our lifestyle wear factory in Vietnam in 2020, our denim factory in Vietnam also achieved this international green building certification – preliminary certificate in 2021 for its newly designed factory building. The new building project reached 32% in energy savings, 37% in water savings and 38% less embodied energy in materials.



Industry Partnerships

Climate Action Training

We have teamed up with GIZ FABRIC, brands and manufacturers to engage a service provider for co-developing a series of online training modules, as an initiative of the working groups of the UNFICCA. Around 20 participants from six of our factories in Vietnam, Cambodia and Bangladesh have taken this self-paced pilot for learning more about the impacts of climate change on the fashion industry, accounting for greenhouse gas emissions and actions for mitigating the impact.

PaCT Programme by IFC

At the initiative of one of our customers, our knits factories in Bangladesh have joined the Partnership for Cleaner Textile ("**PaCT**") programme initiated by International Finance Corporation ("**IFC**"). With technical assistance provided, our factories have explored the potential for rooftop solar and enhancement of energy efficiency.

Solar Power Feasibility Study by GIZ

In addition, our intimate factory in Vietnam took part in the Project Development Programme organised by GIZ – a German development agency that provides services in international development cooperation and education work. The programme supported our factory in preliminarily assessing rooftop solar potential and the related planning work.

CDP – Climate Disclosure

We furthered our efforts towards climate transparency by completing the Climate Change disclosure on CDP, a global non-profit organisation that runs the world's leading environmental disclosure platform. We are proud to have disclosed our environmental data through CDP in 2021 along with 13,000 companies, in which our CDP Climate Change scored B– that was above the industry average of the "Textiles & Fabric Goods" sector.

Task Force on Climate-related Financial Disclosures

We acknowledge the importance of climate-related disclosures to contribute to a better understanding of climate risks and opportunities, which are vital to our resilience and transition to a low-carbon economy.

Key Climate-related Risk Management

We conducted a preliminary climate-related risk analysis according to the guidelines from the Task Force on Climate-related Financial Disclosures ("**TCFD**") to understand more about our key climate-related risks and opportunities. The identified physical and transition risks, the associated impacts on our operations and our mitigating actions are summarised in the table in the following section. These findings have been incorporated into our strategic planning and the Group risk management system to ensure that necessary actions are identified and appropriate controls are in place.

In addition, climate change was included in the ESG materiality assessment to identify the mutuality of stakeholders' concerns and its significance in relation to other risks.

Going further, we are working on defining climate-related scenarios to integrate climate considerations more fully and effectively into our business and financial planning.

Key climate-related risks and our actions

Type	Climate-related Risk	Potential Financial Impacts on Crystal	Action Taken to Date
Physical Risk	**Acute**		
	Extreme weather events (e.g. typhoons, floods)	• Damage to properties and assets • Supply chain and logistic disruption	• Incorporating adaptation measures and operation resilience into our business strategy • Contingency plans for all factories • Multi-country selection of countries of origin
	Chronic		
	Frequent and intense extreme heat	• Energy cost and heat-related subsidies • Reduced productivity	• Corporate decarbonisation package • Corporate Building Specifications Handbook
	Rising sea levels	• Damage to properties and assets • Procurement and logistic disruption	• Incorporating risk considerations into infrastructure planning • Supply Chain Management Procedures
	Increased salinity in freshwater	• Procurement and logistic disruption • Freshwater availability and cost	• Recycled water for production use • Smart laundry and water efficient processes • Technologies to reduce/replace washing processes, e.g. laser, ozone • Certified sustainable materials, e.g. BCI, GOTS, GRS, OCS, RCS, OEKO-TEX • Collaboration with NGOs and institutions to enhance resources efficiency
	Persistent and severe drought	• Materials and freshwater availability and cost	

Type	Climate-related Risk	Potential Financial Impacts on Crystal	Action Taken to Date
Transition Risk	**Policy and Legal Aspects**		
	Heightened policy and regulation	• Compliance cost • Operational disruption	• Regular market and policy reviews and technology updates
	Technology		
	Low-carbon technologies	• Increased capital expenditure	• Sustained commitment to low-carbon manufacturing • Net zero strategy and roadmap • Corporate decarbonisation package
	Market		
	Supply chain and logistic disruption	• Availability and cost for materials • Compensation cost for logistic delay	• Sustainable products to reduce raw material consumption, e.g. closed-loop denim • Collaboration with NGOs and institutions for recycled products • Localised supply chain
	Voluntary carbon pricing mechanisms	• Expenses of carbon pricing/carbon offsets	• Joined UNFICCA to engage industry initiatives • Exploring offsite renewable energy, e.g. power purchase agreement
	Industry transition	• Investment in low-emissions production • Shift to on-demand production	• Global partnership with customers and institutions • Industry 4.0 and manufacturing excellence • Smart factories and smart warehouses
	Reputation		
	Increased customer awareness	Reduced orders due to • Failing to meet customer requirements • Inadequate sustainability transparency	• Collaboration with customers on sustainability initiatives • Stakeholder engagement and materiality assessment • Group sustainability and ESG reporting – transparency for ESG ratings • Climate-related disclosures – CDP and TCFD
	Rising investor concerns and stringent ESG rating	• Capital availability	

Metrics and targets

Our Third Global 5-year Sustainability Targets aim to deliver products with positive attributes on both social and environmental metrics, which include reduction of freshwater and carbon intensities. More information can be found in the section "Third Global 5-year Sustainability Targets (2018–2022)".

We are committed to net zero carbon emissions by 2050 in response to the immediate threat of climate change. We are also framing our scope 3 emissions calculation for a thorough understanding along the value chain.

In addition, we have set up our climate risk register to manage key climate-related risks. The key risks and risk levels are reviewed and reported to the Execo and the Board biannually.

Worldwide Support of WWF Earth Hour

Through continued participation in Earth Hour, our Crystal headquarters and nine factories in China, Vietnam and Bangladesh support each year this global environmental movement held by WWF, to spread awareness of sustainability, climate change and energy efficiency.

Our Environmental Policy and Management System Guidelines

Environmental sustainability is rooted in our operations. We are dedicated to creating positive environmental impacts through our operations by following the comprehensive principles set out in our Corporate Environmental Policy, including mitigation of climate change, conservation of natural resources, pollutant discharge management, circular economy creation, global greening and employee awareness.

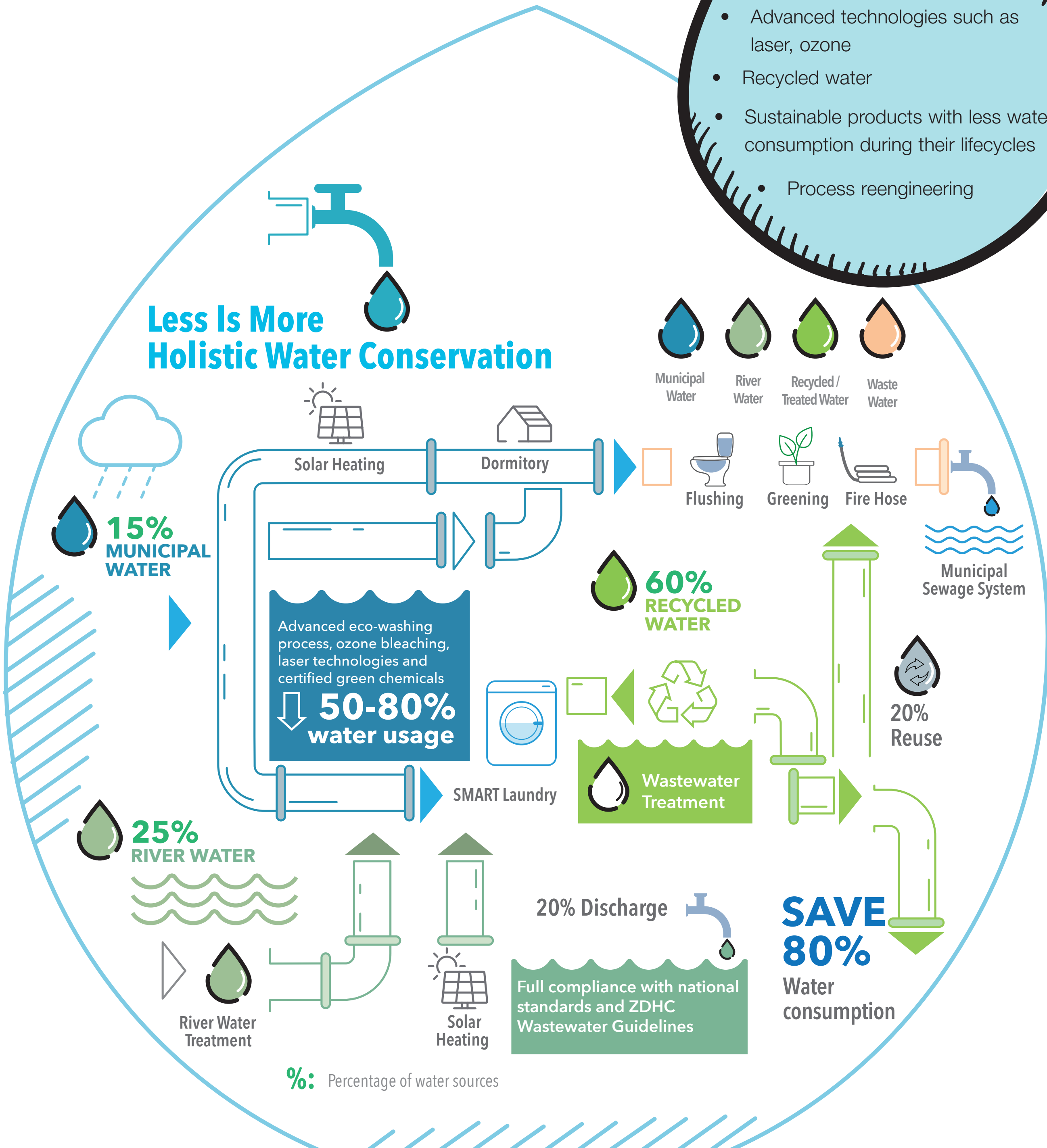
To support the implementation of the Environmental Policy, our Environmental Management System Guidelines provide factories with a comprehensive set of instructions to help them establish and implement an effective and robust environmental management system. Based on the Environmental Management System Guidelines, an increasing number of our factories are certified to international environmental standards, such as ISO 14001 Environmental Management System and ISO 50001 Energy Management System.

All our factories follow the Corporate Environmental Policy and implement the related environmental procedures for controlling the potential impacts. At group level, the Corporate Quality and Sustainability Department ("**CQS**") oversees the various environmental performances, including carbon emissions, water consumption, waste management, material consumption and environmental compliance status. The environmental performance of all Crystal factories is reported to senior management every quarter as a regular monitoring process. The following sections show how we address the potential environmental impacts.

Water Conservation

Every drop counts. Freshwater conservation is one of our global sustainability targets. Our factories are taking a holistic approach to conserve precious freshwater resources. The key practices include the adoption of:

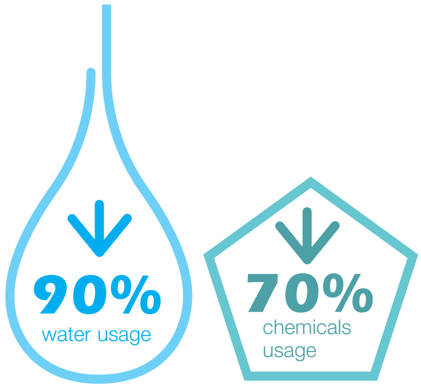
- Water-efficient washing processes
- Sustainable washing formula
- Advanced technologies such as laser, ozone
- Recycled water
- Sustainable products with less water consumption during their lifecycles
- Process reengineering



The efficient freshwater resource management of our denim factory in China

The 4Zero Collection

This is a collection developed by our denim division. With the principle of zero manual work, zero washing stone, zero potassium permanganate and zero sodium hypochlorite, the environmental impacts of this denim collection can be significantly minimised, reducing water and chemicals consumption by 90% and 70%, respectively.



In 2021, our factories recycled 2,617,533 m^3 of recycled water for production and non-production uses, equivalent to the drinking water needed for around 3,500,000 people per year.

WWF Water Risk Filter

We applied WWF's Water Risk Filter 5.0 for water risk screening and it showed that none of our factories are located in regions with a high risk of water depletion. Our factories had no issues regarding water supply for operations during 2021.

Air Emissions Control

We adopt a multi-pronged approach to minimise air emissions from our operations, ranging from applying cleaner fuel, to prudent end of line treatment and monitoring of emission quality.

Since 2018, all our China factories have been firing boilers with natural gas, which is a cleaner option than other fossil fuels.

We are committed to fully complying with the local standards of air emissions. Our major emission sources include boilers, generators, kitchen facilities, printing facilities, vehicles and forklifts. All our factories regularly monitor and test air emission sources, according to local legal requirements. In 2021, all our factories fully complied with the relevant legal standards.

In 2021, our factories in aggregate emitted around 247.1 tonnes of nitrogen oxides ("**NOx**"), 8.1 tonnes of sulphur dioxide ("**SO_2**"), and 48.6 tonnes of particulate matter ("**PM**")[1].

[1] The amounts of air pollutant emissions were estimated by fuel consumption and equipment condition with reference to the methodologies of the United States Environmental Protection Agency and the European Union's European Environment Agency.

Our Product Footprints 2021

0.38
Carbon
(kg CO_2e/equivalent piece)

0.73
Energy
(kWh/equivalent piece)

3.32
Freshwater
(L/equivalent piece)

Note:
– Carbon intensities are calculated by dividing the total greenhouse gas ("**GHG**") emissions of scope 1, scope 2 and biogenic carbon dioxide by total equivalent pieces of garments.

Greenhouse Gas Emissions 2021

41,018
17.7%
Scope 1 emissions (tCO_2e)

123,425
53.4%
Scope 2 emissions (tCO_2e)

66,961
28.9%
Biogenic emissions (tCO_2)

Notes:
– Scope 1 emissions include direct emissions from fuel combustion of stationary sources (e.g. boilers, generators, kitchens), mobile sources (e.g. motor vehicles) and from wastewater treatment facilities plus septic tanks.
– Scope 2 emissions include indirect emissions from purchased energy.
– GHG emissions are accounted and reported with reference to the GHG Protocol Corporate Accounting and Reporting Standard issued by the World Resources Institute and the World Business Council for Sustainable Development, and relevant guidelines where applicable. The GHG emission factors from the Institute for Global Environmental Strategies and the International Energy Agency were applied.

Energy Consumption 2021

38.5%
651,078
Purchased electricity (GJ)

27.7%
467,845
Direct energy (GJ)

33.8%
572,447
Renewable energy (GJ)

Notes:
– Direct energy includes combustion of fossil fuels and non-renewable alternative fuels.
– Renewable energy includes combustion of biogenic fuels and onsite solar power facilities.
– Based on the records of factories such as fuel purchase, electricity bills, and energy meters, the energy consumption was calculated with the conversion factors published by the Department for Business, Energy & Industrial Strategy, and Department for Environment, Food & Rural Affairs, the Government of the United Kingdom.

Water Consumption for Production Use 2021

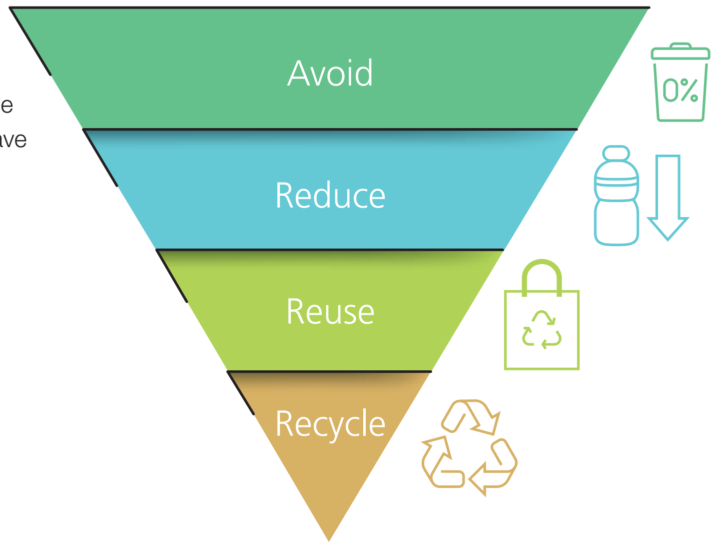
58.9%
2,680,813
Freshwater (m^3)

41.1%
1,868,772
Recycled water (m^3)

Waste Management

All our factories follow a waste management hierarchy and guiding principle in their operations. To minimise the operational waste generation in particular, we have adopted the following practices:

- Purchasing the right amount of materials
- Efficiently managing material utilisation
- Auto cutting for enhancing accuracy
- Applying right first time and quality assurance management techniques
- Controlling trims and accessories



Corporate Waste Management Guidelines

Our Corporate Waste Management Guidelines provide a framework for all our factories to implement good waste management practices, such as how to trace and assure the efficient use of materials, as well as managing operational waste in compliance with legal requirements and applying environmentally friendly production practices.

Vision of Zero Operational Waste to Landfill

Our factories are moving ahead towards our "Zero Landfill" goal by putting circularity into practice. All waste streams were handled and treated properly in accordance with local legislation and met stringent internal guidelines to minimise our impact on the environment.

Replicating the attainment of our sportswear factory in Vietnam in 2020, our lifestyle wear factory in China diverted 100% of its production waste away from landfill by working with qualified waste coprocessing partners.

Waste Data 2021

7.0 kilotonnes

Hazardous waste disposal

Mainly chemical waste from production processes and sludge from wastewater treatment

15.5 kilotonnes

Non-hazardous waste disposal

Mainly fabric waste and domestic waste

4.3 kilotonnes

Waste recycled

6.8 kilotonnes

Waste recovered to energy

Notes:

- Disposals of hazardous wastes are handled by licensed specialist contractors.
- Disposals of non-hazardous wastes are diverted to landfills and/or incineration facilities that are available locally.
- Recyclable wastes are preliminarily sorted in factories and collected by or delivered to various recyclers.

Packaging Materials 2021

12.2 kilotonnes

Paper products and carton box

4.3 kilotonnes

Plastics

Circular Products

Sustainability starts with the initial stage of product development. Our denim division continued taking further sustainability steps and launched various eco collections.

Launch of Second Life – Closed-loop Denim

The collection has infused pre-consumer cut waste and sorted scraps with new life. It can save around 70% of water consumption and 10% of carbon emissions from growing new cotton throughout the product life cycle of denim jeans.

Crystal Denim has successfully developed 10 denim fabrics with differing amounts of recycled content, elasticity and stretchability. Compared with traditional recycled denim fabrics, these fabrics provide greater depth of colour shades and stronger intensity, thus widening style range and embracing denim authenticity.

Jeans Redesign with the Ellen MacArthur Foundation

As a participant in the Ellen MacArthur Foundation's Jeans Redesign project, our denim division has partnered with a customer and put more than 230,000 pairs of jeans, in more than 40 styles, on the market according to the principles of the Jeans Redesign Guidelines. These denim products are embedded with the concept of product durability, material health, recyclability and traceability. They were designed to be 100% reused and recycled. Key features include:

- 98% organic cotton, certified with Global Organic Textile Standard
- Advanced laser technology and oxidation process
- No conventional electroplating, potassium permanganate or stone finishing
- Durability that can withstand a minimum of 30 home laundries
- Green chemistries conformed with ZDHC MRSL

Certifications in Sustainable Materials

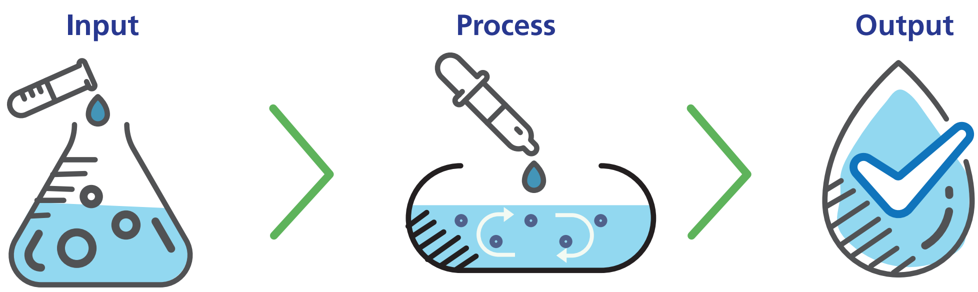
Most of our factories received certifications such as Better Cotton Initiatives ("**BCI**"), Global Organic Textile Standard ("**GOTS**"), Global Recycle Standard ("**GRS**"), Organic Content Standard ("**OCS**"), OEKO-TEX STANDARD 100 and Recycled Claim Standard ("**RCS**"). The certifications demonstrate our commitment to responsible sourcing and production of sustainable products by reducing the material footprints of our products, in parallel attaching great importance to sustainable materials.

Chemical and Wastewater Management

We are committed to eliminating hazardous chemicals from our operations and products. Our Corporate Chemical Management Guidelines provide an aligned framework of chemical management, from input to process through output control. In 2021, we achieved significant milestones and progressed towards the goal of zero discharge of hazardous chemicals.

All our factories regularly monitor and test the wastewater and comply with local legal standards and requirements.

Crystal's Corporate Chemical Management Guidelines



Input

- Group Manufacturing Restricted Substance List ("**MRSL**")
- Green chemical procurement and screening

Process

- Chemical management system
- Assessment and training

Output

- Regular testing according to Zero Discharge of Hazardous Chemicals ("**ZDHC**") Wastewater Guidelines and legal requirements

New Edition of Group RSL and MRSL

We have published our Group's Restricted Substances List ("**RSL**") and Manufacturing Restricted Substances List 2021 version, into which the latest customer requirements, industrial initiatives and international standards have been incorporated, including the ZDHC MRSL version 2.0.

Green Chemistry

We are progressively switching to the use of green chemistries in our production processes. For instance, around 70% of the major chemicals used in our knits factories in Vietnam, China and Bangladesh conform with ZDHC MRSL level 1 or above. The percentage is still rising through our continued collaboration with chemical suppliers.

Online Chemical Inventory Management

To manage our chemical inventory systematically and track the conformance level against ZDHC MRSL via ZDHC InCheck report, all our denim factories, the lifestyle wear factory and the sportswear factory in Vietnam use online chemical management tools, such as CleanChain and BVE3.

ZDHC Supplier to Zero

Our knits factories in Vietnam and China have completed the Supplier to Zero Foundational Level, which is a ZDHC programme to help suppliers assess their implementation status of the ZDHC Chemical Management System Framework and to improve performance. This demonstrated our competence in both ZDHC chemical management and the implementation of ZDHC solutions.

Higg Index

All our factories have adopted the Higg Facility Environmental Module ("**FEM**") as a standardised way of making environmental assessment and we have set the Higg FEM foundational and aspirational targets of 50% and 75% respectively to be achieved.

Since full adoption in 2017, all factories successfully achieved their foundational targets in 2021. The average Higg FEM score of our factories was 79.2%, indicating a 7% improvement compared with 2019, and is well above the industry mean score of 35.9%.

Our eco denim factory in Zhongshan, China achieved outstanding performance with a verified Higg FEM score of 94%.

SUSTAINABLE APPAREL COALITION
Higg Index
2020 Higg Facility Environmental Module
VERIFIED MODULE

Performance Tracking and Training for the Supply Chain

In addition to applying the assessment in our factories, we expanded the adoption of the Higg FEM to help us track the environmental performance, including energy consumption and carbon emissions, of our suppliers. In 2021, over 40 subcontractors and suppliers completed and shared their Higg FEM assessments.

We also organised Higg FEM training workshops for around 40 participants from our subcontractors in Vietnam and China, providing advice for environmental performance improvements in their facilities.

Product Responsibility

Quality Assurance Process

8 DECENT WORK AND ECONOMIC GROWTH

In accordance with our corporate mission and our value of "Live Quality", our Quality Policy contributes to sustainable and profitable growth by providing guidance on offering products and services that provide customer satisfaction. We demonstrate this commitment by having built a quality management system based on legal compliance, customer requirements, universally acknowledged best practices, requirements related to product labelling, safety and environmental considerations.

Our concept of quality covers the totality of our operational activities, through which our employees aim to deliver the right goods and services to our customers at the right time and at the right cost.

To achieve the principles of "Right First Time" and "Quality Managed at Source", we have taken a holistic approach to our quality management system and implement quality standards throughout our business processes. From product design through sourcing of raw materials, production and packaging, to inventory storage and delivery, we ensure compliance with the quality standards and specifications of our company, customers and the supply chain.

Our own quality management system is consistent with the requirements of international standards using the concept of PDCA – Plan, Do, Check, Act, focusing on prevention rather than detection or correction. This enables us to implement a comprehensive approach to drive process effectiveness and continuous improvement, allowing a more systematic methodology to manage and deliver quality products. We have 10 factories certified to the ISO 9001 Quality Management System.

Our Quality Performance

We have a corporate quality index with targets, to demonstrate our quality performance in achieving customers' expectations.

99.9%	1.4%	0.056%
achieved	achieved	achieved
Customer Final Inspection Pass Rate ("**CFIR**")	Observed Quality Level ("**OQL**"):	Quality Claim:
Group target: $\geq$ 99.5%	Group target: $\leq$ 4%	Group target: $\leq$ 0.1% to sales turnover

Product Safety

We have developed Product Safety Guidelines, which state our customer, legal and safety requirements. The Guidelines include preventive measures applicable starting from product development and applying throughout the production processes, to ensure that our products are physically and chemically safe.

In addition, the Corporate Product Restricted Substances List ("**RSL**") has been developed to ensure that our supply chain partners use safe chemicals during manufacturing processes and that only these safe chemicals are present in the final products.

In 2021, 410 million pieces of products were shipped, with no product being recalled (0%) due to safety or health reasons.

Handling Product and Service-related Complaints

A complaint is defined as any written or verbal statement made by our customers that indicates their dissatisfaction with our products or services. Major types of complaint are classified as follows:

Products:

- Issues regarding product safety (e.g. a broken needle is found within a shipped garment)
- Issues regarding product quality (e.g. repeatedly failing the quality tests at customers' distribution centres, product recalls)
- Potential lawsuit, breaching of laws and regulations

Services:

- Issues regarding services, such as not meeting customers' expectations (e.g. repeated late delivery or late response to official requests)

When we receive a complaint, the recipient and the related parties have to handle the complaint according to Crystal's complaint handling procedure. Related line management has to review and validate the complaint with related factory and sales teams investigating the case, identifying the root cause of the problem and taking appropriate corrective action. The Corporate Quality and Sustainability department ("**CQS**") works with factory quality assurance ("**QA**") teams to monitor and follow up the correction. The designated department, e.g. sales or factory QA, is responsible for reverting and communicating with the customer within a specified timeframe, until the case is closed and the customer is satisfied.

The CQS is also responsible for logging all valid complaints and reporting to the Execo bi-annually as part of the key risk management process.

There were two valid product quality complaint cases during 2021. These two cases were reported and handled according to the procedure outlined, resulting in the customers' satisfaction with our feedback and improvement, including both the response time and the resolution.

Product Recall Procedure

A product recall is defined as a request to return, exchange or replace a product by a customer when the product is found to have defects that may hinder performance, harm consumers or lead to legal consequences.

In the case of a product recall from any customer, our sales team negotiates with the customer to resolve the product recall issues and work out a solution together. The solution may include but not be limited to case investigation and root cause analysis, replenishment of the products and improvement actions, whichever are applicable.

Whenever needed, the CQS supports by liaising and following up with the related parties throughout the case. The CQS reports the number of recall cases to management at least biannually.

Intellectual Property Rights

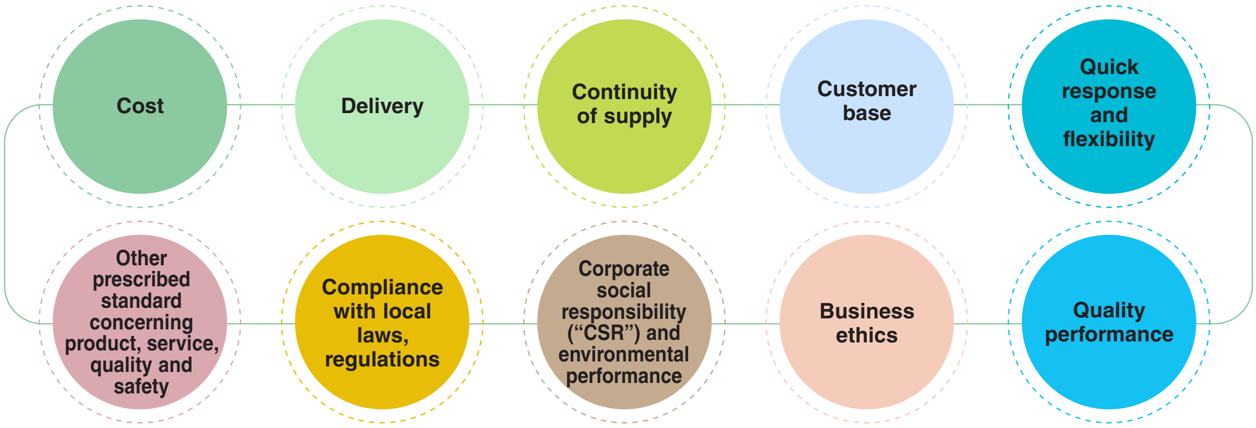
We acknowledge the importance of intellectual property rights and we are committed to complying with customers' requirements, in particular by implementing relevant brand protection control mechanisms to protect intellectual property, trademarks and images of customers to deter and prevent counterfeiting. Under these mechanisms, physical and information technology security management is adopted to protect the intellectual property rights and the brand equity of customers. Employees are educated and motivated to take responsibility to make brand protection an integral part of our daily operation. During the reporting period, there were no non-compliance cases related to intellectual property rights regarding our products and services.

Note:
– Product advertising is not material for our garment manufacturing business.

Supply Chain Management

Supply Chain Management Strategy

The top priorities in our supply chain management strategy relating to supplier selection and retention are:



During 2021, the Group sourced materials from 18 major suppliers. Each of these suppliers, providing fabric and trims for our production, accounts for at least 1% of the total amount of our material purchased. Based on the location of suppliers' headquarters, 100% of this spend was made in the Asia-Pacific region.

Corporate Supply Chain Management Procedure

Our Corporate Supply Chain Management Procedure provides all our line companies and factories with a standardised system and process for supplier sourcing, approval, monitoring, performance review, analysis and reporting.

A designated department from each line company is assigned to implement the procedure, which has to be followed by all line companies and factories in their sourcing. The environmental and social performance of our own sourced suppliers is regularly monitored and reviewed.

Governing Policies and Requirements to Suppliers

Suppliers' compliance with local law requirements is a fundamental condition for building our business relationships. In addition, all approved suppliers are required to comply with our policies and requirements set out below:

- Code of Conduct
- Social Compliance Policy
- Environmental Policy
- Anti-corruption Policy
- Restricted Substances List ("**RSL**")
- Quality Policy
- Brand Protection Policy
- Corresponding customers' requirements

We approve suppliers only if they meet our Code of Conduct and minimum requirements, including compliance with:

- No child labour
- No forced labour
- Local minimum wage
- Local environmental requirements

We actively communicate our requirements and expectations with the suppliers regularly via meetings or visits and provide a variety of support such as training and capacity building, to drive their improvement in the key indicators of quality, CSR and environmental performance.

Various product quality inspections, regular quality management system audits and CSR risk assessments of the designated suppliers are conducted to monitor the proper execution of the related requirements. In 2021, we implemented these practices with all the 18 largest suppliers.

Managing Environmental and Social Risks along Supply Chain

We understand that the environmental and social risks for our suppliers could potentially impact our operations and business, such as financial or reputational loss. We define environmental and social risks in our supply chain as:

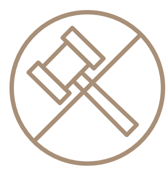
Violation of Crystal's Code of Conduct and policies

Violation of the minimum requirements stated in Crystal Corporate Supply Chain Management Procedure

Health and safety incidents (e.g. fire, mass illness, etc.)

Labour unrest

Chemical or wastewater leakage



Legal non-compliance

We identify and assess significant environmental and social risks in our supply chain regularly through:

- Media watch
- Information from stakeholders
- NGO platforms e.g. environmental supervision records of Institute of Public and Environmental Affairs ("**IPE**")
- On-site visits
- Questionnaires
- Suppliers' self-assessment reports and third-party audit reports

If any potential environmental and social risk is identified, it is to be reported to the respective line president directly to determine the impact and necessary follow-up actions. We request suppliers to investigate the case, examine the root cause, develop prevention, remediation and mitigation plan and communicate with related stakeholders. Through these processes, the CQS and factory sustainability departments keep a close liaison with suppliers to track the status, the media exposure, the business impact and also to render any necessary support. The supplier has to provide status updates in phases according to an agreed timeline until the case is closed. We also conduct verification, when deemed necessary, to ensure the particular case is corrected.

Management and relevant stakeholders are informed of the supply chain performance and leading indicators in a timely manner, including the risks resulting in work stoppages, injuries especially loss of life, and risks that may impact our business with our customers, leading to possible financial or reputational loss. When such risks arise, the CQS or the line president is responsible for reporting to the Execo, which will report further to the Board, if considered necessary. If a supplier violates our Code of Conduct, fails to meet our minimum requirements, or shows no significant improvement progress, termination of the business relationship will be considered.

A "Key Risk Management" mechanism is in place to oversee the risk management process. Our risk register defines and identifies risks, and forms the basis for evaluating the impact and likelihood of the environmental and social risks. We consolidate all risks into a key risk report using a green, yellow and red rating system for each risk factor and report biannually to the Execo. A red case is prioritised for risk and impact mitigation. The Execo is responsible for monitoring and reviewing the risk management process until the case is closed.

Green Supply Chain

To build a sustainable and green supply chain, our Supply Chain Management Procedure provides a clear set of environmental criteria for supplier selection. Procurement priority is given to suppliers that minimise adverse environmental impacts through good practices such as:

- Establishing carbon and water reduction targets
- Committing to low carbon and energy efficient manufacturing
- Implementing water efficient practices
- Diverting waste from landfills
- Obtaining certifications in sustainable materials or products
- Adopting green chemistry
- Developing environmental management systems (e.g. ISO 14001)
- Conducting regular wastewater testing following industry standard ZDHC, which goes beyond legal standards

The CQS, line companies and factories are responsible for tracking and monitoring performance according to the above criteria.

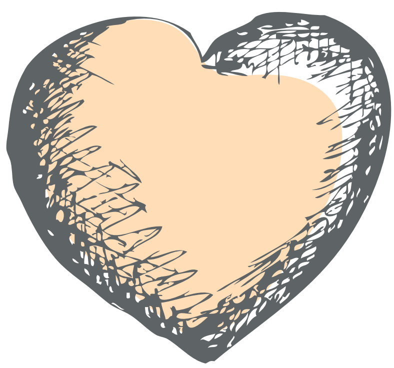
Pioneering Social Responsibility

Adhering to our corporate value of "respect for people", we adopt a people-oriented management approach. We are committed to building an equal working environment, developing staff with high-calibre talent, supporting communities and maintaining high standards of corporate governance.

Our Code of Conduct and Social Compliance Policy

In order to create a fair working environment for our employees, we have established our Master Policies on Human Resources, Code of Conduct ("**CoC**"), Social Compliance Policy and a series of standard operating procedures based on relevant local laws and regulations in the countries where we operate. These policies stipulate our requirements and approaches in relation to:

- Employing neither child labour nor forced labour
- Recruitment and promotion practices to exclude discrimination
- Compensation and dismissal
- Banning discrimination, harassment and abuse
- Equal opportunities, fair compensation, freedom of association and collective bargaining
- Requirements for working hours and rest periods
- Developing and applying a people-oriented culture
- The empowerment of women
- Other benefits and welfare



No Child and Forced Labour

We respect, protect and promote fundamental human rights. We strictly follow International Labour Organization conventions and relevant laws and regulations regarding child labour and forced labour. The Group only employs people who are of legal working age and choose to work voluntarily.

To prevent the recruitment of children, we have established recruitment procedures to ensure that all candidates' ages are verified before employment through their ID card, birth certificate, education certificate or family household register whichever is applicable. The recruitment staff are provided with professional training to counter check the potential use of child labour by primary interview, appearance check or work experience verification if necessary.

In case any child labour is identified, the employee will be asked to stop working immediately and given the relevant outstanding amount of wages, according to local law requirement. The employee in question will undergo a free health check and be provided with medical treatment if necessary, before being sent back to his or her guardian or place of residence. The factory will investigate the incident and take effective measures to avoid recurrence.

Digital wage payment

As a convenient and safe way of payment, all our factories pay wages digitally.

Digital wage payment benefits both the employer and employees. Some of the benefits are assisting in audits, enhancing supply chain accountability, ensuring transparency and accuracy of payments and reducing the risk of loss or theft. It also creates an opportunity for employees to save their money in a secure manner as well as enjoying other banking services. It is also convenient for employees as it saves time and trouble receiving cash for their monthly wages.

We believe that employment is freely chosen. Therefore, we prohibit any form of forced labour, including but not limited to bonded labour, indentured labour, prison labour and slave labour. When dealing with wages, we ensure the transaction does not involve a third party, is not withheld nor is subject to illegal deductions.

The CQS and factory sustainability departments conduct regular risk assessments to identify the risk of child labour and forced labour. We have established a comprehensive grievance mechanism to encourage our employees to report as soon as they are aware of any child labour or forced labour case. The factory management and/or the CQS will investigate any suspected case reported.

The same standard applies to all our factories as well as to our supply chain. We have clearly communicated our zero tolerance on child labour and forced labour to our suppliers.

Our strong commitment and strict controls lead us to believe we do have no operation that is considered to have a significant risk of incidents of child or forced labour. During the reporting period, no child labour or forced labour case was identified in our company.

Safeguarding Employees' Health and Safety

Our occupational health and safety management system provides healthy and safe workplaces to prevent accidents and injuries. We have established health and safety policies, which are incorporated into our Social Compliance Policy. Consequently, each factory has established an occupational health and safety management system in compliance with relevant laws and regulations, inclusive of a functional health and safety committee. The health and safety committee is responsible for monitoring the factory's health and safety management system and performance, covering all employees, facilities and the work environment by:

- Developing, reviewing and implementing health and safety standards and procedures
- Evaluating compliance with regulations, investigating incidents, conducting job hazard analyses
- Providing training in occupational health and safety awareness, personal protective equipment and fire safety
- Conducting regular fire drills and internal audits
- Supporting mental and physical health through employee care centres
- Promoting a health and safety culture and driving continuous improvement

The CQS conducts occupational health and safety risk assessments in our factories annually. The results of the risk assessment, overall performance and key health and safety indicators, such as work-related accidents, are reported to the management biannually and disclosed to relevant stakeholders if deemed appropriate. Factories are required to take immediate action to correct any health and safety-related issues and send CQS evidence of having done so for verification.

ISO 45001 Occupational Health and Safety Management System

Our knits factories in Vietnam and China and intimate factory in China have successfully been certified to ISO 45001:2018, “Occupational Health and Safety Management System”. Our denim factory in China attained the national level-3 work safety standardisation certification in 2021.

Eyesight Test and Spectacle Prescription for Employees

Bright, healthy eyes and perfect vision make people feel confident. Collaborating with two business partners and an external organisation, our denim factory in Vietnam participated in the Clear Vision Workplace programme to improve employees’ vision. Under this initiative, employees underwent training on eye health, received eye screening by ophthalmologists and were prescribed spectacles if necessary. The factory distributed 705 free pairs of eyeglasses to our employees who were recommended spectacles among nearly 3,500 who had their eyes screened. While it was the first time for many of our employees to be given a vision check, a number of them were referred to eye hospitals for further examination or treatment.

Rate of Fatalities and Work Injury

ZERO **fatality** over the last three years

Injury cases are defined as cases that have been reported to the local governments with medical and insurance claims, and resulted in at least four lost days each. In 2021, 0.007% of total working man-days across the Group’s operations were lost as leaves taken by our employees owing to work injuries. We recorded a total of 94 work injury cases, accounting for 1,591 lost workdays.

Talent Acquisition

We aim to be an employer of choice that attracts and retains the most engaged and talented people. All our employees are treated with respect, have equal opportunities to succeed and are encouraged to give their ideas on how to achieve continuous improvement.

We have established Master Policies on Human Resources, including organisational development, recruitment, promotion, compensation, benefits, performance management, human resources development, disciplinary and grievance procedures. These policies are to:

- Improve recruitment quality and efficiency
- Identify and develop employees with high potential
- Establish the reward strategies
- Ensure internal equity and improve retention
- Promote a work environment that values open communications, accountability, trust and mutual respect

Breakdown of Workforce

Crystal had a total of 75,757 employees at the end of 2021, 30.8% were male and 69.2% were female.

Notes:
- The figures of workforce include 18 garment manufacturing facilities across five operating countries, our headquarters and offices in Asia.
- Our workforce comprises full-time employees except for five part-time staff.

By region and gender

Country	%	Male	Female
Vietnam	54.4%	28.2%	71.8%
China	16.1%	38.5%	61.5%
Bangladesh	12.2%	44.4%	55.9%
Cambodia	11.5%	19.0%	81.0%
Sri Lanka	5.2%	27.3%	72.7%
Hong Kong and other offices in Asia	0.6%	42.0%	58.0%
Total	**100.0%**	**30.8%**	**69.2%**

By age group

16-25	23.5%
26-35	44.9%
36-45	24.6%
46-55	6.5%
>55	0.5%
Total	**100.0%**

Monthly Average Employee Turnover Rate

Monthly Average Employee Turnover Rate – Voluntary[2]	2.9%

By gender

Male	3.3%
Female	2.7%

By region

Vietnam	2.6%
China	3.0%
Bangladesh	2.8%
Cambodia	0.8%
Sri Lanka	11.0%
Hong Kong and other offices in Asia	1.9%

By age group

16-25	4.8%
26-35	2.7%
36-45	1.9%
46-55	1.8%
>55	1.2%

2 Voluntary turnover refers to employees that resign of their own accord and excludes dismissal and retirement. The monthly average employee turnover rate – voluntary is obtained from dividing the number of employees who willingly left employment in 2021 by the number of total employees at the end of the year then further dividing by 12 months.

Talent Grooming

Our Master Policy on Human Resources Development provides a clear guideline to support employee development and build a culture of continuous professional development. Through training, education and development activities, we strive to develop a skill base and the intellectual capital of the Group in order to ensure we have sufficient people of suitable quality to meet present and future needs.

Training Data

In 2021, a total of 5,261,670 hours of training were provided, including:

3,425,654 hours
of customer requirement training

1,836,036 hours
of programmed training

Our active and resigned employees received an average of 49 hours of training each.

Customer requirement training mainly consists of worker-oriented morning briefings, on-the-job training and refreshment briefings on customer requirements and quality standards.

Programmed training includes structured and classroom training activities in management and leadership skills, technical skills, communication skills, female empowerment, talent development and compliance. The percentage of employees who received programmed training by gender and job level is tabulated below. However, the breakdown information does not reflect customer requirement training due to the unavailability of the relevant data.

Programmed training breakdown by gender

Gender	Percentage Trained	Average Training Hours
Female	74%	23.6
Male	65%	25.6
Total	**71%**	**24.2**

Programmed training breakdown by job level

Grade	Percentage Trained	Average Training Hours
Executive	89%	12.6
Manager	65%	12.2
Officer	77%	42.2
General Staff	78%	22.3
Worker	68%	23.3
Total	**71%**	**24.2**

Learning and Development

We recognise the strategic importance of leadership and talent development even in times of uncertainties and we have continued investing resources to grow our leaders and to build the human resources infrastructure. We plan and carry out a myriad of training programmes to facilitate the personal and career growth of our employees at different levels, some of them are illustrated as follows:

- Anti-sexual harassment and financial literacy training for workers
- Rainbow Project for supervisors
- The 7 Habits of Highly Effective People and Harvard Business School online management training for executives and managers

Financial literacy

The knits factory in Bangladesh collaborated with a customer to empower workers through financial education. Our workers were educated on various topics, such as financial planning, budgeting, and investment.

Gender Equality

Anti-sexual harassment training

Our factories in Vietnam and Cambodia conducted anti-sexual harassment training for close to 30,000 employees, some by joining CARE's STOP project. By making known that Crystal does not tolerate sexual harassment and having a grievance handling mechanism in place, the training aims to help participants identify and encourage reporting of such unwelcome behaviour. The denim factory in Cambodia has set up a dedicated committee, which is planning to conduct this training monthly to benefit all employees. The intimate factory in Vietnam included this topic in orientation training, and made use of classroom learning, video screening and e-learning platforms to disseminate related information.

377 employees from our denim factories took part in the Rainbow Project – Crystal Supervisory Development Programme.

Nurturing Future Leaders

Supervisors play a significant role in our operation. They help achieve business goals, execute corporate strategy and manage crises. Aiming to foster positive attitudes and improve management skills as well as professional knowledge of frontline leaders, our denim factory in Vietnam continued with the "Rainbow Project", which provides systematic training and practical application courses, such as problem-solving skills, communication skills, the roles and responsibilities of a leader, goal setting, time management and etiquette in the workplace. During the eight months' training period, the supervisors applied what they had learnt to make a positive impact on their teams, the Company and the community.

"The Rainbow Project is like planting a seed into the supervisors, with the time passes by, they will grow to be a big tree and feeding the Company." Shared by Lucy Nguyen on her personal social media platform after graduating from the project.

Digitalising Our Mode of Training

How to keep empowering our employees under the new normal is a key issue in our people development. In addition to the self-developed mobile app for worker communication and training, our lifestyle wear and sportswear factories in Vietnam and China have adopted WOVO, an all-in-one application designed to instantly engage and educate workers throughout supply chains. WOVO allows workers to access digital training from partners, communicate with factories anonymously, submit safety reports, view their pay slip and give input through worker surveys.

Through digital training, we could lower the risk of pandemic infection and comply with the social distancing requirements set by local governments, without hampering the continuing empowerment of our employees.

We also provide flexible, self-directed learning in driving competency-based development for our executives and managers. Different online initiatives were introduced to support leadership development:

- Harvard Business School online leadership courses with 42 management topics
- New SuccessFactors Learning Management System for accessing training resources at anytime and anywhere

Harvard Business School Online

Partnership with INSEAD for Executive Training

We collaborated with the internationally renowned business school, INSEAD, to organise an online executive workshop "Decision Making in Difficult Times" for the knits division. The workshop enhanced attendees' cognitive ability and judgment required to make solid decisions under challenging circumstances. Other workshop topics included managing new generations, applying servant leadership and building corporate culture.

The 7 Habits of Highly Effective People

We continued to provide development opportunities for every employee at every level to promote personal advancement, leadership skills and continuing education. A traditional training programme, the 7 Habits of Highly Effective People is welcomed by our employees. Our factories in Vietnam and China continued providing this training to help employees develop their abilities to be effective leaders, explore how to influence more effectively, engage and collaborate.

Creating Shared Values with Communities

As a responsible corporate citizen, we believe that our operations enable us and the communities in which we operate to grow together. We are dedicated to creating shared values for our communities.

Through continuous communications with community members, local authorities, NGOs and charity organisations, we identified focus areas for our community programmes, including education, environmental protection, labour needs, health, culture and sports.

Identifying Community Engagement Activities

When identifying community engagement activities, we tend to support local governments' calls, seek to help the underprivileged and protect the environment, while seeking a balance between these activities and exploring new opportunities.

We believe that by collaborating with local authorities, community groups, and our customers in carrying out these activities, we are making a measurably positive impact in the countries where we operate. Prior to execution, proposals and the related investments are assessed to ensure our financial resources are effectively utilised. We incline towards joining hands with partners of the same mind who are as committed to building a harmonious community. Although we aim to create lasting benefits by taking part in ongoing programmes, we are open to making one-off investments from time to time, that cater to specific or urgent needs of society.

In 2021, we contributed around US$407,000 and over 32,000 man-hours to the communities via community activities, education, and environmental protection.

Care for Our Employees and Communities Amid COVID-19

As we navigate through the uncertainty generated by the prolonged COVID-19 pandemic, we have continued to work with the governments and local trade unions in the operating countries to care for our global employees and their communities. Over the years of the fight against the pandemic, we have stayed strong together to keep all employees healthy and safe and to demonstrate strong, social responsibility to care for communities.

Protecting Our Employees

We continued our efforts to ensure the health and safety of our employees and minimise their inconvenience caused by the related control measures. In this connection, we:

- Implemented strict access control to reduce the risk of virus transmission
- Encouraged vaccinations by providing transportation and pre-inoculation health assessment subsidies as well as offering free vaccines by collaborating with local authorities
- Partnered with local trade unions to deliver free food and essentials for workers placed on lockdown
- Offered free in-house accommodation, meals, and hygiene facilities
- Undertook thorough sterilisation and disinfection in all factories
- Extended special arrangement for expatriate staff including flexible paid leave and financial coverage for charter flights, accommodation and quarantine

Company-wide, nearly 100% of our employees are vaccinated. 90% of employees in factories in China and Cambodia have had their third vaccine dose, and 51% of our employees in Vietnam factories have had their third dose.

nearly **100%** employees are vaccinated

China and Cambodia **90%** employees had their third vaccine dose

Vietnam **51%** employees had their third vaccine dose

A designated booth was set up in our intimate factory in Bangladesh to help employees register for COVID-19 vaccination.

Our denim factory in Cambodia conducted thorough disinfection in factory areas.

In Vietnam, our lifestyle wear factory and intimate factory coordinated with the government to arrange COVID-19 testing and vaccination for all employees.

Our factories in Vietnam collaborated with local trade unions to distribute more than 10 tonnes of rice, 200 boxes of noodles, meals and essentials to the workers in lockdown areas at no cost.

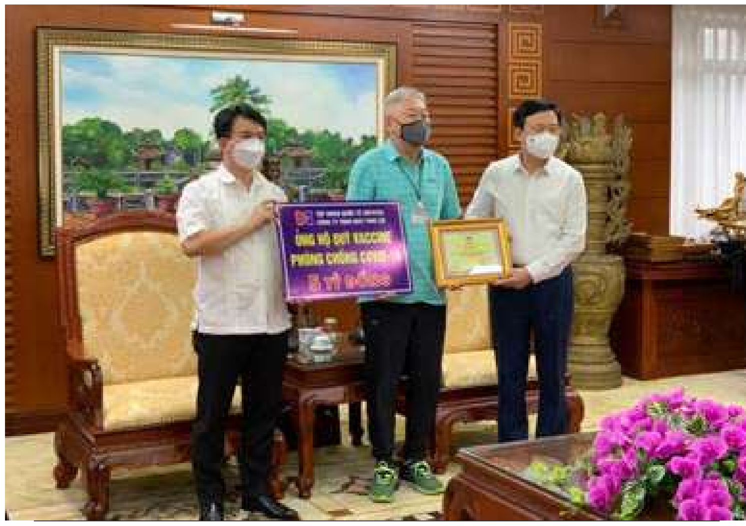
With the generous support from the Vietnam General Confederation of Labour, our lifestyle wear factory in Vietnam distributed US$3,800 worth of COVID-19 relief materials to employees.

Supporting the Communities

In addition to safeguarding the health of our global employees, we also extended our care to the wider communities during this uncertain period.

Donation to the communities

To fight the epidemic in Vietnam, our four factories there made financial and in-kind contributions. Other than relief materials and medical supplies, a total of US$450,000 was donated to provincial and national vaccine funds to support the nation-wide COVID-19 vaccination programme.



Setting up the COVID-19 treatment centre in Sri Lanka

Cooperating with the Board of Investment and the Ministry of Health, our factories in Sri Lanka set up an intermediate care centre in the Katunayake Export Processing Zone to treat COVID-19 patients. The centre consists of 445 beds catering to both female and male patients with some priority beds. We also donated 100 beds to the centre.

Our factories in Sri Lanka donated 100 beds to the intermediate care centre.

Women Healthcare Campaign and Lingerie Donation

The intimate factory in China organised a campaign to donate 16,000 pieces of high-quality lingerie and provided women's healthcare knowledge to the women living in the underprivileged county, Jing'an, located in Jiangxi Province. Doctors from local maternity and childcare service centres were invited to share women's healthcare knowledge and offer free medical diagnoses. Around 4,000 local women benefited from the campaign.

Maintaining Clean Living Environments in the Communities

The volunteer team from our denim factory in Vietnam cooperated with the Youth Union of Cam Khe District under the Green Sunday Project to clean up the local environment, promote waste separation, and advocate plastic waste reduction. Trees were also planted to keep the neighbourhood clean and green.

Educational Support for Local Children

The intimate factory in Vietnam granted "new-school-year scholarships" to 81 children of eligible employees who have difficult family situations. The annual programme eases the financial burden of disadvantaged parents due to schooling their children, who will be future leaders of society.

Anti-Corruption

To promote good business ethics and integrity across the Group, a series of master policies, including the following, have been established and are available on the corporate intranet:

- Conflict of Interest
- Anti-Bribery
- Anti-Money Laundering
- Anti-Fraud
- Anti-Corruption (Vendor)
- Whistle-Blowing

The policies apply throughout the Group, whereby every director and employee is required to adhere to the policies as well as all applicable laws, rules and regulations of the jurisdictions in which the Group operates.

We adopt zero tolerance towards corruption and fraud. Relevant corruption prevention practices are carried out to maintain the highest standards of integrity, honesty and fairness. We have clearly stated that employees must avoid activities that conflict with the Group's interests when performing their duties. Employees shall not accept any form of bribing or inducement benefit, including payments, gifts, hospitality and any improper business advantage.

During the reporting period, there were no legal cases regarding corrupt practices brought against the Company or our employees.

We have set up whistleblowing channels to allow employees and other relevant personnel to report corruption, fraud, dishonesty or unlawful conduct confidentially. Upon receipt of complaints, the Corporate Governance Office, headed by our Chairman of the Board, logs the case in a control register for tracking purposes. Where necessary, management or the Corporate Governance Office will conduct independent investigations and take follow-up action. The control register is circulated to the Audit Committee for inspection quarterly and a summary is submitted to the Board annually.

Any whistleblowing cases received are treated in a confidential and sensitive manner. No whistle-blower would be victimised or disadvantaged for making a complaint.

Anti-corruption Training

Training in anti-corruption principles was provided to employees to raise awareness. In 2021, all directors and managers across all countries in our operations have completed approximately 1,000 hours of anti-corruption related training.

Awards and Recognition

18
Employee Care

14
Business

9
Community Service

19
Environment

Highlighted Awards and Recognition

Sustainability and ESG Reporting

Group

SDG2000 by Word Benchmarking Alliance

World Benchmarking Alliance

Best ESG Report – Mid-cap Commendation by Hong Kong ESG Reporting Awards 2021

BEST MID CAP ESG REPORT COMMENDATION
HERA 2021 最佳ESG報告嘉許獎 – 中市值

2021 Best Annual Reports Awards – Certificate of Excellence in Environmental, Social and Governance Reporting by the HKMA

Intimate factory in Vietnam

Top 100 Sustainable Enterprises in Vietnam in 2021 by Vietnam Chamber of Commerce and Industry

Lifestyle wear factory in Vietnam

Corporate Social Responsibility Recognition Award by the American Chamber of Commerce in Hanoi

AMERICAN CHAMBER OF COMMERCE VIETNAM

Environment

Crystal headquarters

Hong Kong Green Organisation, Wastewi$e Certificate and Energywi$e Certificate by the Environmental Campaign Committee

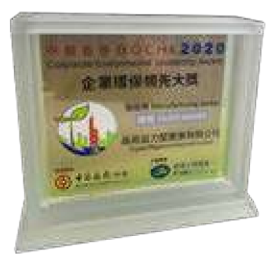
Green Office and Eco-Healthy Workplace Awards Labelling Scheme by the World Green Organisation

Sweater factory in China

BOCHK Corporate Environmental Leadership Awards 2020: 5 Years+ EcoPioneer and EcoPartner

Lifestyle wear factory in China

BOCHK Corporate Environmental Leadership Awards 2020: Silver Award, 5 Years+ EcoPioneer and EcoChallenger



Intimate factory in China and Vietnam

LCMP Platinum Label by WWF – Hong Kong

Intimate factory in Bangladesh

LCMP Gold Label by WWF – Hong Kong

Lifestyle wear factory and denim factory in Vietnam

EDGE Certificate by International Finance Corporation

EDGE Preliminary Certificate by International Finance Corporation

Intimate factory in Vietnam

Energy Efficiency Award in Industry-Construction 2021 by the Steering Board of the Vietnam National Energy Efficiency Programme under the Ministry of Industry and Trade (MoIT), the Vietnam Energy Conservation and Energy Efficiency Association (VECEA) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

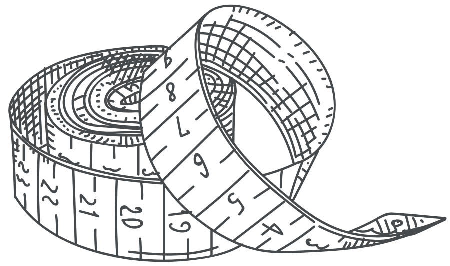
Sportswear and outdoor apparel factory in Vietnam

5-star Award at Green Energy in Large Energy User by the Hanoi Department of Industry and Trade

Business

Lifestyle wear factory, intimate factory and sportswear and outdoor apparel factory in Vietnam

Prestigious Export Enterprise 2020 by The Ministry of Industry & Trade in Vietnam



Employee Care

Crystal headquarters, intimate and lifestyle wear factory in Vietnam

Best Companies to Work for in Asia 2021 by HR Asia

HR Asia®
BEST COMPANIES
TO WORK FOR
IN ASIA 2021

Denim factory in Cambodia

The P.A.C.E. Photo of the Year Award by Gap Inc.

Denim factory in China

The Digital Content Creator Award by Gap Inc.

International Organization for Standardization ("ISO") Certification

ISO®

1. **ISO 9001 Quality Management System**
   10 factories in Vietnam, China, Bangladesh and Sri Lanka

2. **ISO 14001 Environmental Management System**
   4 factories in Vietnam and China

3. **ISO 45001 Occupational Health and Safety Management System**
   4 factories in Vietnam and China

Glossary

Better Cotton Initiatives ("**BCI**")	The BCI is a global, not-for-profit organisation, the largest cotton sustainability programme in the world, which aims to transform cotton production worldwide by developing Better Cotton as a sustainable mainstream commodity.
Better Work	Better Work is a comprehensive programme that brings together all levels of the garment industry to improve working conditions and to respect labour rights. It was jointly created by the United Nation's International Labour Organization and the International Finance Corporation.
Biogenic emissions	Biogenic emissions are the carbon dioxide emissions from the combustion or biodegradation of biomass.
CDP	Formerly the Carbon Disclosure Project, CDP is a global non-profit that runs the world's foremost environmental disclosure platform. It is one of the most recognised environmental reporting platforms with the richest and most comprehensive dataset on corporate and city action.
Crystal Advocates Respect and Engagement ("**CARE**")	The CARE is an employee well-being programme self-initiated by Crystal. It contains five levels to help employees build on their skills, promote a work-life balance, strengthen their self-respect, uplift their sense of belonging and assist them to attain self-actualisation.
Customer final inspection pass rate ("**CFIR**")	The CFIR is a measure of factory quality performance derived from analysing the first-time pass rate of a customer's first-time final inspection.
Earth Hour	Earth Hour is a worldwide environmental movement organised by the World Wide Fund for Nature. The event is held annually encouraging individuals, communities, businesses and governments to turn off non-essential lights for one hour on a designated date.
Enhancing Women's Voice to Stop Sexual Harassment ("**STOP**")	An initiative of international humanitarian aid organisation CARE Australia, STOP aims to enhance women's voice and economic rights at both the national and factory levels by working to prevent and address the under-reported problem of sexual harassment in mainland Southeast Asia's garment sector.
Excellence in Design for Greater Efficiencies ("**EDGE**")	EDGE, launched by the International Finance Corporation, a green building certification system for emerging markets, aims to help developers measure the green savings and create credible solutions to achieve green savings.
Facility Environmental Module ("**FEM**")	The Higg FEM is one of the facility tools of the Higg Index that standardises how facilities measure and evaluate their environmental performance.
Fashion Industry Charter for Climate Action	The Fashion Industry Charter for Climate Action is an industry-wide initiative, driven by the United Nations, to collectively address the climate impact of the fashion sector across its value chain.
GIZ FABRIC	GIZ FABRIC is a regional project implemented by the German Development Cooperation Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH on behalf of the German Federal Ministry for Economic Cooperation and Development. It aims to foster sustainability in the Asian textile and garment industry by promoting knowledge transfer and cooperation.
Global Organic Textile Standard ("**GOTS**")	The GOTS was developed by leading standard setters to define world-wide recognised requirements for organic textiles. From the harvesting of the raw materials through environmentally and socially responsible manufacturing to labelling, textiles certified to GOTS provide a credible assurance to consumers.

Global Recycle Standard ("**GRS**")	The GRS is an international, voluntary, full product standard that sets requirements for third-party certification of recycled content, chain of custody, social and environmental practices and chemical restrictions.
Greenhouse gas ("**GHG**")	GHG is the gaseous constituent that is able to absorb and hold heat in the atmosphere, either occurring naturally or resulting from human activities.
HERproject	HERproject, initiated by Business for Social Responsibility, is a collaborative initiative that strives to empower low-income women working in global supply chains through workplace-based interventions on health, financial inclusion and gender equality.
Higg Index	The Higg Index is a suite of tools developed by the Sustainable Apparel Coalition that enables brands, retailers and facilities to measure and score a company's or product's sustainability performance.
Industry 4.0	Industry 4.0 is the digital transformation that is characterised by automation and data exchange in manufacturing technologies. It includes cyber-physical systems, the Internet of things and cloud computing.
Institute of Public and Environmental Affairs ("**IPE**")	The IPE is a non-profit environmental research organisation registered and based in Beijing, China, offering a pollution database to monitor corporate environmental performance.
Lean production	Lean production is a production model that focuses on minimising waste and thus cost, whilst maximising productivity and adding value to products and services.
Low Carbon Manufacturing Programme ("**LCMP**")	LCMP, hosted by WWF-Hong Kong, provides manufacturers with a carbon accounting and labelling system, which helps to measure their effectiveness in carbon reduction and also to equip them with best practices.
Manufacturing Restricted Substance List ("**MRSL**")	MRSL is a list of chemical substances that are subject to a usage ban or restrictions in manufacturing processes.
Observed quality level ("**OQL**")	OQL is a measure of factory quality performance by analysing the defect rate of the customer's first-time final inspection.
OEKO-TEX STANDARD 100	The STANDARD 100 by OEKO-TEX is a globally uniform, testing and certification system for textile raw materials, intermediate and end products at all stages of production. Its aim is to ensure products are free of harmful substances.
Organic Content Standard ("**OCS**")	The OCS is an international, voluntary standard that sets requirements for third-party certification of certified organic input and chain of custody.
Partnership for Cleaner Textile ("**PaCT**")	Led by International Finance Corporation (IFC), PaCT is a holistic programme that supports the entire textile value chain – spinning, weaving, wet processing and garment factories in adopting Cleaner Production (CP) practices and engages with brands, technology suppliers, industrial associations, financial institutions and governments to bring about systemic and positive environmental changes.
Personal Advancement & Career Enhancement ("**P.A.C.E.**")	Initiated by Gap Inc., P.A.C.E. is an innovative factory-based programme that aims to positively impact female garment workers. The programme provides foundational skills and support that help them advance in the workplace and in their personal lives, through life skills education and technical training.
Recycled Claim Standard ("**RCS**")	RCS is an international, voluntary standard that sets requirements for third-party certification of recycled input and chain of custody.

Restricted Substance List ("**RSL**")	RSL is a list of chemical substances restricted or banned from use in finished products.
Science-based target	A science-based target is set in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement – limiting global warming to well-below 2ºC above pre-industrial levels and pursuing efforts to limit warming to 1.5ºC.
SDG2000	SDG2000 is developed by the World Benchmarking Alliance that identifies the most influential 2,000 companies globally on the SDGs.
Servant leadership	Servant leadership is a leadership philosophy in which the goal of the leader is to serve. A servant leader shares power, puts the needs of the employees first and helps people develop and perform to their highest capability.
Smart factory and smart warehouse	In a smart factory, physical production processes and operations are combined with digital technology, smart computing and big data to create a more opportunistic system. It represents a leap forward from traditional automation to a fully connected and flexible system. A smart warehouse provides efficient accessibility, timely delivery and optimised order picking and storage through automation and a real-time management system, preventing human error while increasing safety and security in the workplace.
SuccessFactors	SuccessFactors is a complete, engaging and all-in-one HR system that connects the whole company by streamlining all HR operations as well as personnel processes, including learning, development, recruiting, on-boarding, performance and compensation management.
Task Force on Climate-related Financial Disclosures ("**TCFD**")	The TCFD was created in 2015 by the Financial Stability Board to develop consistent, climate-related, financial risk disclosures for use by companies, banks and investors in providing information to stakeholders.
The 7 Habits of Highly Effective People	The 7 Habits of Highly Effective People are seven organisational rules outlined by American management consultant Stephen R. Covey for improving effectiveness and increasing productivity at work and at home.
United Nations Sustainable Development Goals ("**SDGs**")	SDGs are a collection of 17 global goals set by the United Nations General Assembly in 2015 for the year 2030. These goals provide a blueprint to achieve a more sustainable future and address global sustainability challenges.
WWF's Water Risk Filter 5.0	The WWF's Water Risk Filter 5.0 is an online tool developed by WWF and the German finance institution DEG, which helps companies and financial institutions to explore, assess, value and respond to water risk.
ZDHC InCheck	ZDHC InCheck is developed by ZDHC Foundation to enable suppliers to check their chemical inventory against the ZDHC Manufacturing Restricted Substance List (MRSL) Accepted Certifications for better chemical management.
Zero Discharge of Hazardous Chemicals ("**ZDHC**")	ZDHC is formulated by a group of apparel and footwear brands and retailers working together to lead the industry towards zero discharge of hazardous chemicals.

ESG Reporting Guide Index and GRI Content Index

ESG Reporting Guide Index

ESG Reporting Guide	Description	Section or feedback
Environmental		
Aspect A1: Emissions		
General disclosure		Sustaining Our Future
KPI A1.1	The types of emissions and respective emissions data.	Sustaining Our Future – Air Emissions Control; Greenhouse Gas Emissions 2021
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Sustaining Our Future – Our Product Footprints 2021; Greenhouse Gas Emissions 2021
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Sustaining Our Future – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Sustaining Our Future – Waste Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Our Sustainability Vision and Approach – Third Global 5-year Sustainability Targets (2018–2022) Sustaining Our Future – Our Vision to Net Zero 2050; Air Emissions Control; Circular Products
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Sustaining Our Future – Waste Management; Circular Products
Aspect A2: Use of Resources		
General disclosure		Sustaining Our Future
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Sustaining Our Future – Our Product Footprints 2021; Energy Consumption 2021
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Sustaining Our Future – Our Product Footprints 2021; Water Consumption for Production Use 2021
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Sustaining Our Future – Our Vision to Net Zero 2050
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Our Sustainability Vision and Approach – Third Global 5-year Sustainability Targets (2018–2022) Sustaining Our Future – Water Conservation; Circular Products
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Sustaining Our Future – Waste Management

ESG Reporting Guide	Description	Section or feedback
Aspect A3: The Environment and Natural Resources		
General disclosure		Sustaining Our Future
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Our Sustainability Vision and Approach – Third Global 5-year Sustainability Targets (2018–2022) Stakeholder Engagement – Materiality Assessment Sustaining Our Future
Aspect A4: Climate Change		
General disclosure		Sustaining Our Future
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Our Sustainability Vision and Approach – Third Global 5-year Sustainability Targets (2018–2022) Stakeholder Engagement – Materiality Assessment Sustaining Our Future – Our Vision to Net Zero 2050
Social		
1. Employment and Labour Practices		
Aspect B1: Employment		
General disclosure		Pioneering Social Responsibility – Our Code of Conduct and Social Compliance Policy; Talent Acquisition
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Pioneering Social Responsibility – Talent Acquisition
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Pioneering Social Responsibility – Talent Acquisition
Aspect B2: Health and Safety		
General disclosure		Pioneering Social Responsibility – Safeguarding Employees' Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Pioneering Social Responsibility – Safeguarding Employees' Health and Safety
KPI B2.2	Lost days due to work injury.	Pioneering Social Responsibility – Safeguarding Employees' Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Stakeholder Engagement – Materiality Assessment Pioneering Social Responsibility – Safeguarding Employees' Health and Safety; Creating Shared Values with Communities

ESG Reporting Guide	Description	Section or feedback
Aspect B3: Development and Training		
General disclosure		Our Sustainability Vision and Approach – Third Global 5-year Sustainability Targets (2018–2022) Pioneering Social Responsibility – Talent Grooming
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Pioneering Social Responsibility – Talent Grooming
KPI B3.2	The average training hours completed per employee by gender and employee category.	Pioneering Social Responsibility – Talent Grooming
Aspect B4: Labour Standards		
General disclosure		Pioneering Social Responsibility – Our Code of Conduct and Social Compliance Policy
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Pioneering Social Responsibility – Our Code of Conduct and Social Compliance Policy
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Pioneering Social Responsibility – Our Code of Conduct and Social Compliance Policy
2. Operating Practices		
Aspect B5: Supply Chain Management		
General disclosure		Supply Chain Management Sustaining Our Future – Higg Index
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management – Supply Chain Management Strategy
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management – Corporate Supply Chain Management Procedure; Governing Policies and Requirements to Suppliers
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management – Managing Environmental and Social Risks along Supply Chain
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management – Green Supply Chain Sustaining Our Future – Higg Index
Aspect B6: Product Responsibility		
General disclosure		Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility – Product Safety
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Product Responsibility – Handling Product and Service-related Complaints
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual Property Rights

ESG Reporting Guide	Description	Section or feedback
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Quality Assurance Process; Product Recall Procedure
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Our core garment manufacturing business does not involve ownership of consumer privacy in the context of networked data nor globalised corporate activities that might lead to risks of personal data leakage and misuse or unauthorised access.
Aspect B7: Anti-corruption		
General disclosure		Pioneering Social Responsibility – Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Pioneering Social Responsibility – Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Pioneering Social Responsibility – Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Pioneering Social Responsibility – Anti-corruption
3. Community		
Aspect B8: Community Investment		
General disclosure		Pioneering Social Responsibility – Creating Shared Values with Communities
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Pioneering Social Responsibility – Creating Shared Values with Communities
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Our Sustainability Vision and Approach – Third Global 5-year Sustainability Targets (2018–2022) Pioneering Social Responsibility – Creating Shared Values with Communities

GRI Content Index

GRI Standards	Description	Section or feedback
GRI 102: General Disclosures		
1. Organisational Profile		
102-1	Name of the organisation	About This Sustainability Report
102-2	Activities, brands, products, and services	Crystal International is a leading apparel manufacturer, and has a diversified product portfolio categorised into five product segments, namely lifestyle wear, denim, intimate, sportswear and outdoor apparel, and sweater.
102-3	Location of headquarters	Please refer to the "Corporate Information" section of our Annual Report 2021.
102-4	Location of operations	About This Sustainability Report
102-5	Ownership and legal form	Listed on Hong Kong Main Board of The Stock Exchange of Hong Kong Limited.
102-6	Markets served	Please refer to the "Management Discussion and Analysis" section of our Annual Report 2021.
102-7	Scale of organisation	About This Sustainability Report
102-8	Information on employees and other workers	Pioneering Social Responsibility – Talent Acquisition
102-9	Supply chain	Supply Chain Management – Supply Chain Management Strategy
102-10	Significant changes to the organisation and its supply chain	There were no significant changes to our size, structure, ownership, or supply chain that can cause or contribute to significant economic, environmental, and social impacts.
102-11	Precautionary principle or approach	Sustainability Governance
102-12	External initiatives	Our Sustainability Vision and Approach – Our Sustainability Framework and UN SDGs
		Stakeholder Engagement – Global Partnerships on Sustainability
		Sustaining Our Future – Our Vision to Net Zero 2050; Higg Index
		Pioneering Social Responsibility – Creating Shared Values with Communities
102-13	Membership of associations	Stakeholder Engagement – Global Partnerships on Sustainability
2. Strategy		
102-14	Statement from senior decision-maker	Please refer to the "Chairman's Statement" of our Annual Report 2021.
102-15	Key impacts, risks, and opportunities	Our Sustainability Vision and Approach – Third Global 5-year Sustainability Targets (2018-2022)
		Stakeholder Engagement – Materiality Assessment
3. Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Pioneering Social Responsibility – Our Code of Conduct and Social Compliance Policy; Talent Acquisition; Anti-corruption

GRI Standards	Description	Section or feedback
4. Governance		
102-18	Governance structure	Sustainability Governance
102-19	Delegating authority	Sustainability Governance
102-20	Executive-level responsibility for economic, environmental, and social topics	Sustainability Governance
102-21	Consulting stakeholders on economic, environmental, and social topics	Stakeholder Engagement
102-22	Composition of the highest governance body and its committees	Please refer to the "Directors and Senior Management" section of our Annual Report 2021.
102-23	Chair of the highest governance body	Please refer to the "Directors and Senior Management" section of our Annual Report 2021.
102-29	Identifying and managing economic, environmental, and social impacts	Sustainability Governance Stakeholder Engagement
102-30	Effectiveness of risk management processes	Sustainability Governance
102-31	Review of economic, environmental, and social topics	Stakeholder Engagement
102-32	Highest governance body's role in sustainability reporting	Sustainability Governance
5. Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder Engagement
102-42	Identifying and selecting stakeholders	Stakeholder Engagement
102-43	Approach to stakeholder engagement	Stakeholder Engagement
102-44	Key topics and concerns raised	Stakeholder Engagement – Materiality Assessment
6. Reporting practice		
102-45	Entities included in the consolidated financial statements	Please refer to consolidated financial statements presented in our Annual Report 2021.
102-46	Defining report content and topic boundaries	About This Sustainability Report
102-47	List of material topics	Stakeholder Engagement – Materiality Assessment
102-48	Restatements of information	There is no revision of the information provided in the previous report.
102-49	Changes in reporting	About This Sustainability Report Stakeholder Engagement – Materiality Assessment
102-50	Reporting period	About This Sustainability Report
102-51	Date of most recent report	Crystal International's previous Sustainability Report was published on 19th Jul 2021.
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	About This Sustainability Report
102-55	GRI content index	GRI Content Index

GRI Standards	Description	Section or feedback
102-56	External assurance	This Report is not externally assured at the present.
GRI 103: Management Approach		
103-1	Explanation of the material topic and its Boundary	Stakeholder Engagement Applicable to all topic-specific disclosures.
103-2	The management approach and its components	Our Sustainability Vision and Approach – Third Global 5-year Sustainability Targets (2018-2022) Sustaining Our Future Pioneering Social Responsibility
103-3	Evaluation of the management approach	Our Sustainability Vision and Approach – Third Global 5-year Sustainability Targets (2018-2022) Sustaining Our Future Pioneering Social Responsibility
GRI 302: Energy		
302-1	Energy consumption within the organization	Sustaining Our Future – Energy Consumption 2021
302-3	Energy intensity	Sustaining Our Future – Our Product Footprints 2021
302-4	Reduction of energy consumption	Sustaining Our Future – Our Vision to Net Zero 2050
GRI 303: Water and Effluents		
303-1	Interactions with water as a shared resource	Our Sustainability Vision and Approach – Third Global 5-year Sustainability Targets (2018-2022) Sustaining Our Future – Water Conservation; Water Consumption for Production Use 2021; Circular Products
303-2	Management of water discharge-related impacts	Sustaining Our Future – Chemical and Wastewater Management
303-5	Water consumption	Sustaining Our Future – Water Consumption for Production Use 2021
GRI 305: Emissions		
305-1	Direct (Scope 1) GHG emissions	Sustaining Our Future – Greenhouse Gas Emissions 2021
305-2	Energy indirect (Scope 2) GHG emissions	Sustaining Our Future – Greenhouse Gas Emissions 2021
305-4	GHG emissions intensity	Sustaining Our Future – Our Product Footprints 2021
305-5	Reduction of GHG emissions	Our Sustainability Vision and Approach – Third Global 5-year Sustainability Targets (2018-2022) Sustaining Our Future – Our Product Footprints 2021
305-7	Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions	Sustaining Our Future – Air Emissions Control

GRI Standards	Description	Section or feedback
GRI 306: Effluents and Waste		
306-2	Waste by type and disposal method	Sustaining Our Future – Waste Management
GRI 307: Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	No significant fines or non-monetary sanctions for non-compliance with environmental laws and/or regulations recorded within the reporting period.
GRI 308: Supplier Environmental Assessment		
308-1	New suppliers that were screened using environmental criteria	Supply Chain Management – Green Supply Chain Sustaining Our Future – Higg Index
308-2	Negative environmental impacts in the supply chain and actions taken	Supply Chain Management – Green Supply Chain Sustaining Our Future – Higg Index
GRI 401: Employment		
401-1	New employee hires and employee turnover	Pioneering Social Responsibility – Talent Acquisition
GRI 403: Occupational Health and Safety		
403-1	Occupational health and safety management system	Pioneering Social Responsibility – Safeguarding Employees' Health and Safety
403-2	Hazard identification, risk assessment, and incident investigation	Pioneering Social Responsibility – Safeguarding Employees' Health and Safety
403-5	Worker training on occupational health and safety	Pioneering Social Responsibility – Safeguarding Employees' Health and Safety; Talent Grooming
403-6	Promotion of worker health	Pioneering Social Responsibility – Safeguarding Employees' Health and Safety; Talent Grooming; Creating Shared Values with Communities
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Pioneering Social Responsibility – Safeguarding Employees' Health and Safety Product Responsibility – Product Safety
403-8	Workers covered by an occupational health and safety management system	Pioneering Social Responsibility – Safeguarding Employees' Health and Safety
403-9	Work-related injuries	Pioneering Social Responsibility – Safeguarding Employees' Health and Safety
GRI 404: Training and Education		
404-1	Average hours of training per year per employee	Pioneering Social Responsibility – Talent Grooming
404-2	Programs for upgrading employee skills and transition assistance programs	Pioneering Social Responsibility – Talent Grooming; Anti-Corruption
GRI 405: Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	Pioneering Social Responsibility – Talent Acquisition Please also refer to the "Directors and Senior Management" section of our Annual Report 2021.

GRI Standards	Description	Section or feedback
GRI 408: Child Labour		
408-1	Operations and suppliers at significant risk for incidents of child labour	Pioneering Social Responsibility – Our Code of Conduct and Social Compliance Policy Supply Chain Management – Governing Policies and Requirements to Suppliers
GRI 409: Forced or Compulsory Labour		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Pioneering Social Responsibility – Our Code of Conduct and Social Compliance Policy Supply Chain Management – Governing Policies and Requirements to Suppliers
GRI 414: Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	Supply Chain Management – Governing Policies and Requirements to Suppliers
414-2	Negative social impacts in the supply chain and actions taken	Supply Chain Management – Governing Policies and Requirements to Suppliers; Managing Environmental and Social Risks along Supply Chain
GRI 416: Customer Health and Safety		
416-1	Assessment of the health and safety impacts of product and service categories	Product Responsibility – Product Safety
GRI 419: Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	No significant fines or non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area recorded within the reporting period.

SUSTAINABILITY REPORT 2021

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

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 138 to 235, which comprise the consolidated statement of financial position at 31 December 2021, 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 2021, 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 and discount rate. 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 allocated to the CGU of Vista are US$74,941,000 and US$31,777,000, respectively, at 31 December 2021. The management of the Group determined that there was no impairment in the CGU of Vista containing goodwill and the intangible asset with indefinite useful life during the year ended 31 December 2021.	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; • Evaluating the appropriateness of the key assumptions in the cash flow projections, including yearly growth rates of revenue and gross margin 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$308,344,000, which represent approximately 29% and 16% of the Group's current assets and total assets at 31 December 2021, respectively. An expense of US$10,232,000 was recognised in profit or loss to write down the cost of inventories to their net realisable values during the year ended 31 December 2021. 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 usage/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, on a sample basis, 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
16 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 US$'000	2020 US$'000
Revenue	5	**2,341,432**	1,985,332
Cost of sales		**(1,893,822)**	(1,599,466)
Gross profit		**447,610**	385,866
Other income, gains or losses		**15,702**	12,195
Impairment losses under expected credit loss model, net of reversal	8	**(669)**	(12,745)
Selling and distribution expenses		**(24,047)**	(18,272)
Administrative expenses		**(208,804)**	(208,796)
Research and development expenses		**(31,057)**	(27,389)
Finance costs		**(7,416)**	(9,968)
Share of results of an associate		**530**	2,226
Profit before tax	6	**191,849**	123,117
Income tax expense	9	**(28,558)**	(15,032)
Profit for the year		**163,291**	108,085
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**14,198**	19,066
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit assets	27	**(217)**	(3,117)
Deferred tax credit arising on defined benefit assets		**163**	399
Surplus (deficit) on revaluation of properties		**2,084**	(7,115)
Deferred tax (expense) credit arising on revaluation of properties		**(509)**	1,366
		1,521	(8,467)
Other comprehensive income for the year		**15,719**	10,599
Total comprehensive income for the year		**179,010**	118,684

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	2021 US$'000	2020 US$'000
Profit for the year attributable to:			
Owners of the Company		**163,106**	108,085
Non-controlling interests		**185**	–
		163,291	108,085
Total comprehensive income for the year attributable to:			
Owners of the Company		**178,825**	118,684
Non-controlling interests		**185**	–
		179,010	118,684
Basic earnings per share for profit attributable to the owners of the Company (US cents)	10	**5.72**	3.79

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 US$'000	2020 US$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	**623,811**	618,050
Right-of-use assets	13	**86,775**	57,056
Deposits paid for acquisition of property, plant and equipment	14	**12,339**	9,280
Goodwill	15	**74,941**	74,941
Intangible assets	16	**80,942**	85,859
Defined benefit assets	27	**–**	945
Interest in an associate	17	**16,338**	17,158
Loan receivables	18	**520**	1,252
		895,666	864,541
Current assets			
Inventories	19	**308,344**	235,609
Right-of-use assets	13	**1,600**	4,094
Trade, bills and other receivables	20	**251,305**	224,409
Trade receivables at fair value through other comprehensive income	21	**99,495**	64,987
Amounts due from related companies	30	**217**	684
Loan receivables	18	**756**	874
Tax recoverable		**842**	3,887
Bank balances and cash	22	**401,270**	383,427
		1,063,829	917,971
Total assets		**1,959,495**	1,782,512

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 US$'000	2020 US$'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	23	**3,654**	3,654
Reserves		**1,285,202**	1,160,727
Equity attributable to owners of the Company		**1,288,856**	1,164,381
Non-controlling interests		**4,463**	–
Total equity		**1,293,319**	1,164,381
Non-current liabilities			
Other payables	24	**825**	1,299
Lease liabilities	25	**19,461**	11,902
Deferred taxation	26	**34,714**	30,376
		55,000	43,577
Current liabilities			
Trade, bills and other payables	24	**396,967**	357,632
Lease liabilities	25	**11,367**	12,183
Amount due to an associate	29	**12,719**	9,578
Tax liabilities		**22,526**	16,753
Bank borrowings	28	**167,597**	178,408
		611,176	574,554
Total equity and liabilities		**1,959,495**	1,782,512

The consolidated financial statements on pages 138 to 235 were approved and authorised for issue by the Board of Directors on 16 March 2022 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 2021

	Attributable to owners of the Company								
	Share capital US$'000	Share premium US$'000	Property revaluation reserve US$'000	Exchange reserve US$'000	Capital reserve US$'000	Retained profits US$'000	Subtotal US$'000	Non-controlling interests US$'000	Total US$'000
At 1 January 2020	3,654	505,677	71,887	(80,678)	9,903	577,575	1,088,018	–	1,088,018
Profit for the year	–	–	–	–	–	108,085	108,085	–	108,085
Exchange difference arising on translation of foreign operations	–	–	–	19,066	–	–	19,066	–	19,066
Remeasurement of defined benefit assets	–	–	–	–	–	(3,117)	(3,117)	–	(3,117)
Deferred tax credit arising on defined benefit assets	–	–	–	–	–	399	399	–	399
Deficit on revaluation of properties	–	–	(7,115)	–	–	–	(7,115)	–	(7,115)
Deferred tax credit arising on revaluation of properties	–	–	1,366	–	–	–	1,366	–	1,366
Total comprehensive (expense) income for the year	–	–	(5,749)	19,066	–	105,367	118,684	–	118,684
Dividend paid (note 11)	–	–	–	–	–	(42,321)	(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	–	1,164,381
Profit for the year	–	–	–	–	–	163,106	163,106	185	163,291
Exchange difference arising on translation of foreign operations	–	–	–	14,198	–	–	14,198	–	14,198
Remeasurement of defined benefit assets	–	–	–	–	–	(217)	(217)	–	(217)
Deferred tax credit arising on defined benefit assets	–	–	–	–	–	163	163	–	163
Surplus on revaluation of properties	–	–	2,084	–	–	–	2,084	–	2,084
Deferred tax expense arising on revaluation of properties	–	–	(509)	–	–	–	(509)	–	(509)
Total comprehensive income for the year	–	–	1,575	14,198	–	163,052	178,825	185	179,010
Dividend paid (note 11)	–	–	–	–	–	(54,350)	(54,350)	–	(54,350)
Capital injection from non-controlling interests	–	–	–	–	–	–	–	58	58
Acquisition of subsidiaries (note 31)	–	–	–	–	–	–	–	4,220	4,220
At 31 December 2021	3,654	505,677	66,390	(47,414)	9,903	750,646	1,288,856	4,463	1,293,319

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 US$'000	2020 US$'000
OPERATING ACTIVITIES		
Profit before tax	**191,849**	123,117
Adjustments for:		
Interest income	**(1,228)**	(1,823)
Finance costs	**7,416**	9,968
Depreciation of property, plant and equipment	**72,865**	77,809
Depreciation of right-of-use assets	**15,164**	14,267
Amortisation of intangible asset	**4,917**	4,917
Net (gain) loss arising from changes in fair value of derivative financial instruments	**(619)**	427
(Gain) loss on disposals of property, plant and equipment	**(855)**	6,899
Gain on termination of leases	**(21)**	(88)
Share of results of an associate	**(530)**	(2,226)
Write-down of inventories	**10,232**	10,337
Impairment loss recognised in respect of goodwill	**813**	–
Impairment loss recognised in respect of property, plant and equipment	**–**	10,743
Impairment losses under expected credit loss model	**669**	12,745
Operating cash flows before movements in working capital	**300,672**	267,092
(Increase) decrease in inventories	**(74,562)**	33,464
(Increase) decrease in trade, bills and other receivables	**(22,173)**	93,879
Increase in trade receivables at fair value through other comprehensive income	**(34,718)**	(57,569)
Decrease in amounts due from related companies	**220**	836
Decrease (increase) in defined benefit assets	**738**	(841)
Increase in trade, bills and other payables	**36,660**	11,623
Increase (decrease) in amount due to an associate	**3,141**	(2,284)
Cash generated from operations	**209,978**	346,200
Profits tax paid	**(20,116)**	(22,346)
NET CASH FROM OPERATING ACTIVITIES	**189,862**	323,854

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 US$'000	2020 US$'000
INVESTING ACTIVITIES			
Payment for property, plant and equipment		**(65,402)**	(57,971)
Net cash outflow on acquisition of subsidiaries	31	**(25,735)**	–
Proceeds on disposal of property, plant and equipment		**1,815**	8,050
Dividend received from an associate		**1,603**	1,612
Interest received		**1,228**	1,823
Loan receivables received		**880**	1,025
Receipt (payment) on settlement of derivative financial instruments		**619**	(427)
Loan repayment from an associate		**–**	2,500
NET CASH USED IN INVESTING ACTIVITIES		**(84,992)**	(43,388)
FINANCING ACTIVITIES			
Repayment of bank borrowings		**(245,075)**	(348,780)
Dividend paid		**(54,350)**	(42,321)
Repayment of lease liabilities		**(17,329)**	(15,217)
Interest paid		**(7,416)**	(9,968)
New bank borrowings raised		**230,406**	255,231
Capital injection from non-controlling interest		**58**	–
NET CASH USED IN FINANCING ACTIVITIES		**(93,706)**	(161,055)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**11,164**	119,411
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**6,679**	3,805
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**383,427**	260,211
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**401,270**	383,427

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

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

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

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 following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**"), for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

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

Amendments to IFRSs that are mandatorily effective for the current year (continued)

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

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying IFRS 7 "Financial Instruments: Disclosures" ("**IFRS 7**").

The amendments mainly affect the Group's bank borrowings, the interest rates on which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the amendments, where appropriate, to the changes in contractual cash flows resulting from the interest rate benchmark reform for financial assets and liabilities and lease liabilities measured at amortised cost. Additional disclosures as required by IFRS 7 are set out in note 33.

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[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
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 IFRSs	Annual Improvements to IFRSs 2018 – 2020[2]

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

The directors of the Company anticipate that the application of all the new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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” (“**IFRS 2**”), 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**”).

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

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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

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

3.2 Significant accounting policies (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's "Framework for the Preparation and Presentation of Financial Statements" (replaced by the "Conceptual Framework for Financial Reporting" issued in September 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 "Income Taxes" and IAS 19 "Employee Benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see the accounting policy below):

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed at the acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

3.2 Significant accounting policies (continued)

Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amount of the acquiree's identifiable net assets or at fair value.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost established at the date of the acquisition of the business (see the accounting policy above) 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.

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

3.2 Significant accounting policies (continued)

Investment in an associate (continued)

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.

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.

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

3.2 Significant accounting policies (continued)

Investment in an associate (continued)

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 are 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 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.

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 goods 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.

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

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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 goods 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, that 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 the date of inception or modification. 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 adopts the practical expedient of not separating non-lease components from the lease component, instead accounting 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.

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)

Right-of-use assets (continued)

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 their commencement dates to the end of their 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.

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 that is 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.

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 liabilities (continued)

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 lease liabilities are remeasured, corresponding adjustments are 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.

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.

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)

Changes in the basis for determining the future lease payments as a result of interest rate benchmark reform

For changes in the basis for determining the future lease payments as a result of interest rate benchmark reform, the Group applies the practical expedient of remeasuring the lease liabilities by discounting the revised lease payments using the unchanged discount rate, unless the change in lease payments results from a change in floating interest rate. In that case, the Group uses the revised discount rate that reflects the change in the interest rate and makes a corresponding adjustment to the related right-of-use assets. A lease modification is required by interest rate benchmark reform if, and only if, both of these conditions are met:

- the modification is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the lease payments is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

If lease modifications are made in addition to those lease modifications required by interest rate benchmark reform, the Group applies the applicable requirements in IFRS 16 (see the accounting policy above) to account for all lease modifications made at the same time, including those required by interest rate benchmark reform.

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 is not depreciated and is 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 such assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, similarly to other property assets, commences when the assets are ready for their intended use.

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

3.2 Significant accounting policies (continued)

Property, plant and equipment (continued)

When the Group pays for ownership interests in properties, including 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, an 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 increase arising on/from 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.

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 it results in no internally-generated intangible asset.

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

3.2 Significant accounting policies (continued)

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.

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.

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)

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.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined using 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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur 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.

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

3.2 Significant accounting policies (continued)

Provisions (continued)

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.

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.

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

3.2 Significant accounting policies (continued)

Foreign currencies (continued)

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.

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.

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

3.2 Significant accounting policies (continued)

Taxation (continued)

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.

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.

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

3.2 Significant accounting policies (continued)

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 in the “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.

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.

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)

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 being 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 plan liabilities and the plan assets after the plan amendment, curtailment or settlement and 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.

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.

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

3.2 Significant accounting policies (continued)

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.

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.

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)

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.

(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.

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)

(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 a 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 a 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.

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.

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 a financial guarantee contract (continued)

(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.

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.

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 a financial guarantee contract (continued)

(i) Significant increase in credit risk (continued)

For the financial guarantee contract, 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 collateral 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 a 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 the financial guarantee contract, 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.

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 a financial guarantee contract (continued)

(v) Measurement and recognition of ECL (continued)

Except for trade receivables at FVTOCI and the financial guarantee contract, 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.

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.

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)

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.

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.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group adopts the practical expedient of accounting for these changes by updating the effective interest rate. Such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flow is required by interest rate benchmark reform if and only if both these conditions are met:

- the change is necessary as a direct consequence of the interest rate benchmark reform; and

- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the modification).

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)

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform (continued)

For other changes made to a financial asset or financial liability, in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group updates the effective interest rate. The Group then applies the applicable requirements in IFRS 9 on modification of a financial asset or a financial liability (see the accounting policy above) to the additional changes to which the practical expedient does not apply.

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 of 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. A 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.

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

Critical judgments in applying accounting policies (continued)

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

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.

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 2021, no (2020: 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 allocated to the CGU of Vista Corp Holdings Limited ("**Vista**")

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 2021.

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

Key sources of estimation uncertainty (continued)

Impairment assessment of goodwill and intangible assets allocated to the CGU of Vista Corp Holdings Limited ("Vista") (continued)

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 and discount rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. The estimated cash flows and discount rate are subject to a higher degree of estimation variability in the current year due to uncertainty about how both the COVID-19 pandemic may evolve and volatility in financial markets, either of which could potentially disrupt the Group's operation.

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

At 31 December 2021, the carrying amounts of goodwill and intangible assets allocated to the CGU of Vista are US$74,941,000 and US$80,942,000 (2020: US$74,941,000 and US$85,859,000), respectively (see notes 15 and 16).

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. Actual net realisable values being lower than expectation will impact the carrying amounts of inventories.

At 31 December 2021, the carrying amount of inventories is US$308,344,000 (2020: US$235,609,000) (see note 19). During the year ended 31 December 2021, an expense of US$10,232,000 (2020: US$10,337,000) 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.

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

Key sources of estimation uncertainty (continued)

Fair value measurement of land and owned properties (continued)

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Whilst the Group considers 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. These factors have led to greater uncertainty in respect to 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 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 the 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 2021, the carrying amounts of the land and owned properties at valuation are US$387,067,000 (2020: US$335,315,000) (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.

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 that, in the case of value in use, is 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. The cash flow projections, growth rate and discount rate are subject to greater variability in the current year due to uncertainty about how both the COVID-19 pandemic may evolve and volatility in financial markets, either of which could potentially disrupt 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, no impairment loss (2020: US$10,743,000) was recognised in profit or loss during the year ended 31 December 2021. In the opinion of the directors of the Company, there was no other indicator of impairment (including obsolescence or physical damage and low utilisation rates of property, plant and equipment.) identified for the property, plant and equipment and right-of-use assets at the end of the reporting period.

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)

At 31 December 2021, the carrying amounts of property, plant and equipment and right-of-use assets are US$623,811,000 (2020: US$618,050,000) and US$88,375,000 (2020: US$61,150,000), respectively (see notes 12 and 13).

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 reassessed the expected loss rates in the current year as there may be a 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.

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$49,165,000 (2020: US$54,082,000) at 31 December 2021 (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 developments in the regulatory and commercial environment. When the useful life of the brand name becomes finite due to change in the regulatory and commercial environment, the brand name may be impaired and will be amortised based on its estimated useful life. The carrying amount of the brand name is US$31,777,000 (2020: US$31,777,000) at 31 December 2021 (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 form of cash discount and, accordingly the amount of consideration is adjusted for the effect 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.

(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.

5. REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

Segment revenue and results

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

Year ended 31 December 2021

	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	734,963	570,962	427,915	426,550	181,042	–	2,341,432
Segment profit	146,743	104,413	83,895	76,593	35,966	–	447,610
Other income, gains or losses							15,702
Impairment losses under expected credit loss model, net of reversal							(669)
Selling and distribution expenses							(24,047)
Administrative expenses							(208,804)
Research and development expenses							(31,057)
Finance costs							(7,416)
Share of results of an associate							530
Profit before tax							191,849

5. REVENUE AND SEGMENT INFORMATION (continued)

(b) Segment information (continued)

Segment revenue and results (continued)

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

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 the 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	2021 US$'000	2020 US$'000
Customer A	Lifestyle wear, Denim, Intimate, Sportswear and outdoor apparel and Sweater	**787,652**	760,129

Geographical information

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

	2021 US$'000	2020 US$'000
Asia Pacific (note i)	**949,656**	865,968
United States	**908,180**	692,556
Europe (note ii)	**386,834**	328,555
Other countries/regions	**96,762**	98,253
	2,341,432	1,985,332

Notes:

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

(ii) Europe primarily includes 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:

	2021 US$'000	2020 US$'000
Asia Pacific (note i)	**878,731**	846,031
Europe (note ii)	**290**	188
	879,021	846,219

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

	2021 US$'000	2020 US$'000
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments (note 7)	**6,862**	3,851
Other staff costs	**521,648**	435,882
Redundancy costs (note a)	**–**	13,534
Retirement benefit schemes contributions for other staff	**51,995**	42,206
Total staff costs (note d)	**580,505**	495,473
Auditors' remuneration:		
– audit services	**1,097**	1,076
– non-audit services	**486**	408
Cost of inventories recognised as expenses (note d)	**1,883,590**	1,589,129
Write-down of inventories	**10,232**	10,337
Depreciation of property, plant and equipment (note d)	**72,865**	77,809
Depreciation of right-of-use assets (note d)	**15,164**	14,267
Amortisation of intangible asset (included in selling and distribution expenses)	**4,917**	4,917
Impairment loss recognised in respect of property, plant and equipment (note b)	**–**	10,743
Impairment loss recognised in respect of goodwill (note e)	**813**	–
(Gain) loss on disposals of property, plant and equipment	**(855)**	6,899
Gain on termination of leases	**(21)**	(88)
Net (gain) loss arising from changes in fair value of derivative financial instruments	**(619)**	427
Interest income	**(1,228)**	(1,823)
Net foreign exchange loss	**6,751**	5,144
Government grants (note c)	**(2,504)**	(10,100)
Loss on settlement in relation to defined benefit plan (note 27)	**11,202**	–
Finance costs:		
– interest expense on lease liabilities	**1,548**	1,693
– interest on bank borrowings	**2,899**	6,944
– interest on factoring arrangement	**2,969**	1,331

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 the COVID-19 pandemic. Consequently, a redundancy cost of US$13,534,000 had been charged to profit or loss.

(b) 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 serve the European Union customers, were under restructuring. As a result, an impairment loss in respect of property, plant and equipment amounting to US$10,743,000 had been charged to profit or loss and was included in the "other income, gains or losses" line item.

6. PROFIT BEFORE TAX (continued)

Notes: (continued)

(c) During the year ended 31 December 2021, the Group recognised government grants of US$2,504,000 (2020: US$7,664,000) from government authorities in different countries to support the operations of subsidiaries of the Company. The remaining amount of US$2,436,000 recognised during the year ended 31 December 2020 comprised government grants related to the Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region.

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

(e) During the year ended 31 December 2021, the Group recognised an impairment loss of US$813,000 in respect of goodwill arising from the acquisition of Pine Wood (as defined in note 31(b)). Details of the impairment assessment are set out in note 15.

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 2021					
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)	–	783	1,140	14	1,937
Mr. WONG Chi Fai	–	296	593	16	905
Mr. WONG Sing Wah	–	739	1,009	39	1,787
Mr. LO Howard Ching Ho*	–	408	503	23	934
Independent non-executive directors (note ii):					
Mr. GRIFFITHS Anthony Nigel Clifton	55	–	–	–	55
Mr. TSE Man Bun Benny#	21	–	–	–	21
Mr. CHANG George Ka Ki	53	–	–	–	53
Mr. MAK Wing Sum Alvin	63	–	–	–	63
Mr. WONG Siu Kee∆	28	–	–	–	28
	220	3,305	3,245	92	6,862

* Appointed on 1 January 2021
\# Retired on 2 June 2021
∆ Appointed on 4 June 2021

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 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

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 2021 and 2020.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2021 and 2020.

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 (2020: US$1,260,000).

7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

Five highest paid individuals' emoluments

The five individuals with the highest emoluments in the Group include 4 (2020: 3) directors of the Company. The emoluments of the five highest paid individuals are as follows:

	2021 **US$'000**	2020 US$'000
Salaries and allowances	**2,621**	2,991
Performance-based bonuses (note)	**3,798**	1,549
Retirement benefit schemes contributions	**103**	86
	6,522	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 Hong Kong dollars ("**HK$**")):

	Number of directors		**Number of employees**	
	2021	2020	**2021**	2020
HK$5,500,001 to HK$6,000,000	**–**	1	**–**	–
HK$7,000,001 to HK$7,500,000	**2**	–	**1**	2
HK$7,500,001 to HK$8,000,000	**–**	1	**–**	–
HK$8,000,001 to HK$8,500,000	**–**	1	**–**	–
HK$13,500,001 to HK$14,000,000	**1**	–	**–**	–
HK$15,000,001 to HK$15,500,000	**1**	–	**–**	–
	4	3	**1**	2

During the years ended 31 December 2021 and 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. None of the directors of the Company has waived any emoluments during the years ended 31 December 2021 and 2020.

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2021 US$'000	2020 US$'000
Impairment losses recognised in respect of		
– trade receivables at amortised cost	**669**	11,942
– other receivables	**–**	803
	669	12,745

Details of the impairment assessment are set out in note 33.

9. INCOME TAX EXPENSE

	2021 US$'000	2020 US$'000
The income tax expense comprises:		
Hong Kong Profits Tax		
– current year	**11,487**	6,506
– overprovision in prior years	**(17)**	(260)
Overseas taxation		
– current year	**20,780**	12,029
– overprovision in prior years	**(3,451)**	(1,796)
	28,799	16,479
Deferred taxation (note 26)	**(241)**	(1,447)
	28,558	15,032

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

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

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

9. INCOME TAX EXPENSE (continued)

During the year ended 31 December 2020, certain subsidiaries incorporated in Macau were registered and regulated by the Decree Law No. 58/99/M applicable to Macao offshore commercial activities and were exempted from Macao Complementary Tax.

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

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

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

The 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:

	2021 **US$'000**	2020 US$'000
Profit before tax	**191,849**	123,117
Tax at the Hong Kong Profits Tax rate of 16.5%	**31,655**	20,314
Tax effect of expenses not deductible for tax purpose	**7,478**	9,268
Tax effect of income not taxable for tax purpose	**(1,109)**	(4,014)
Tax effect of tax losses not recognised	**–**	1,438
Tax effect of deductible temporary differences not recognised	**110**	2,792
Utilisation of tax losses previously not recognised	**(1,797)**	(891)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(4,143)**	(1,296)
Effect of tax exemptions granted to subsidiaries operating in other jurisdictions	**(168)**	(10,523)
Overprovision in prior years	**(3,468)**	(2,056)
Income tax expense for the year	**28,558**	15,032

Details of deferred taxation are set out in note 26.

10. EARNINGS PER SHARE

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

	2021 US$'000	2020 US$'000
Earnings:		
Profit for the year attributable to the owners of the Company for the purpose of calculating basic earnings per share	**163,106**	108,085
	'000	'000
Number of shares:		
Number of ordinary shares for the purpose of calculating basic earnings per share	**2,852,822**	2,852,822

No diluted earnings per share was presented for the years ended 31 December 2021 and 2020 as there were no potential dilutive ordinary shares in issue during both years.

11. DIVIDENDS

	2021 US$'000	2020 US$'000
Final, paid – HK5.8 cents per ordinary share for 2020 (2020: HK8.5 cents per ordinary share for 2019)	**21,317**	31,288
Interim, paid – HK4.0 cents per ordinary share for 2021 (2020: HK3.0 cents per ordinary share for 2020)	**14,656**	11,033
Special, paid – HK5.0 cents per ordinary share for 2020 (2020: nil for 2019)	**18,377**	–
	54,350	42,321

A final dividend of HK9.8 cents (2020: HK5.8 cents) per ordinary share in total of approximately HK$279,577,000 (equivalent to approximately US$35,852,000) (2020: HK$165,464,000 (equivalent to approximately US$21,317,000)), in respect of the year ended 31 December 2021 has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

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 2020	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**
Exchange realignment	**2,533**	**906**	**5,365**	**1,566**	**72**	**487**	**90**	**11,019**
Additions	**1,205**	**3,090**	**27,709**	**5,123**	**72**	**3,368**	**20,998**	**61,565**
Acquisition of subsidiaries (note 31)	**4,001**	**–**	**5,535**	**313**	**6**	**7**	**–**	**9,862**
Transfers	**56,711**	**186**	**4,813**	**1,627**	**41**	**28**	**(63,406)**	**–**
Disposals	**(4,310)**	**(6,031)**	**(10,105)**	**(5,831)**	**(949)**	**(3,043)**	**–**	**(30,269)**
Deficit on revaluation	**(12,226)**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,226)**
At 31 December 2021	**392,762**	**61,390**	**454,504**	**99,210**	**6,761**	**47,074**	**26,596**	**1,088,297**
Comprising:								
At cost	**5,695**	**61,390**	**454,504**	**99,210**	**6,761**	**47,074**	**26,596**	**701,230**
At valuation	**387,067**	**–**	**–**	**–**	**–**	**–**	**–**	**387,067**
At 31 December 2021	**392,762**	**61,390**	**454,504**	**99,210**	**6,761**	**47,074**	**26,596**	**1,088,297**
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
DEPRECIATION AND IMPAIRMENT								
At 1 January 2020	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 i)	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**
Exchange realignment	**(637)**	**655**	**3,105**	**1,344**	**62**	**415**	**–**	**4,944**
Provided for the year	**14,722**	**5,218**	**42,227**	**7,036**	**455**	**3,207**	**–**	**72,865**
Eliminated on disposals	**(4,222)**	**(5,922)**	**(9,413)**	**(5,813)**	**(919)**	**(3,020)**	**–**	**(29,309)**
Eliminated on revaluation	**(14,310)**	**–**	**–**	**–**	**–**	**–**	**–**	**(14,310)**
At 31 December 2021	**1,303**	**50,855**	**282,562**	**82,433**	**5,926**	**41,407**	**–**	**464,486**
CARRYING VALUES								
At 31 December 2021	**391,459**	**10,535**	**171,942**	**16,777**	**835**	**5,667**	**26,596**	**623,811**
At 31 December 2020	339,098	12,335	174,544	16,546	1,191	5,422	68,914	618,050

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(i) 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.

(ii) At 31 December 2021, for buildings with carrying values of US$4,078,000 (2020: US$3,985,000), 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	$12^1/_2$ – 50%
Motor vehicles	20 – 25%
Computer equipment and software	20 – $33^1/_3$%

Fair value measurement of the Group's owned properties

Certain of the Group's owned properties were valued on 31 December 2021 and 2020 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 values of certain owned properties in Sri Lanka 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$31 to US$1,312 (2020: US$22 to US$1,362). 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$98 to US$323 (2020: US$106 to US$323). 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 8.5% to 9.0% (2020: 5.5% to 9.0%) and US$5,000 to US$31,000 (2020: US$4,000 to US$47,000), respectively. A slight increase in the capitalisation rate or decrease in monthly market rent would result in a significant decrease 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 2021 and 2020 are as follows:

	Level 3 US$'000	**Fair value at 31.12.2021 US$'000**	Level 3 US$'000	Fair value at 31.12.2020 US$'000
Owned properties outside Hong Kong	**387,067**	**387,067**	335,315	335,315

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

	US$'000
At 1 January 2020	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**
Addition	**1,205**
Acquisition of subsidiaries	**4,001**
Transfer from construction in progress	**56,711**
Disposal	**(88)**
Depreciation provided for the year	**(14,102)**
Increase in fair value recognised in other comprehensive income	**2,084**
Exchange realignment	**1,941**
At 31 December 2021	**387,067**

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$307,826,000 (2020: US$258,815,000).

At 31 December 2021, property, plant and equipment with carrying values of approximately US$2,499,000 (2020: US$4,739,000) 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 2021						
Carrying amount	**64,216**	**23,569**	**7**	**327**	**256**	**88,375**
At 31 December 2020						
Carrying amount	43,189	16,766	500	459	236	61,150
For the year ended 31 December 2021						
Depreciation charge	**1,524**	**12,890**	**257**	**202**	**291**	**15,164**
For the year ended 31 December 2020						
Depreciation charge	1,271	11,887	492	180	437	14,267

	2021 US$'000	2020 US$'000
Analysed for reporting purposes as:		
Non-current assets	**86,775**	57,056
Current assets	**1,600**	4,094
	88,375	61,150

13. RIGHT-OF-USE ASSETS (continued)

During the year ended 31 December 2021, the total cash outflows for leases (representing payments of principal and interest), additions to right-of-use assets and additions resulting from acquisition of subsidiaries (note 31) were US$18,877,000, US$26,038,000 and US$17,500,000 (2020: US$16,910,000, US$11,136,000 and nil), 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 (2020: 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.

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:

	2021		2020	
	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	**10,392**	**8,339**	351	1,966

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 years ended 31 December 2021 and 2020, there was no such triggering event.

13. RIGHT-OF-USE ASSETS (continued)

Restrictions on leases

In addition, lease liabilities of US$30,828,000 (2020: US$24,085,000) were recognised with related right-of-use assets of US$29,457,000 (2020: US$21,704,000) at 31 December 2021. 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 2020 and 31 December 2020	74,941
Arising on acquisition of Pine Wood (as defined in note 31(b))	813
Impairment loss recognised during the year (note)	(813)
At 31 December 2021	74,941

Note: During the year ended 31 December 2021, the management of the Group has reassessed the recoverability of Pine Wood based on the recent development of the COVID-19 pandemic and the latest business plan of Pine Wood, and has determined that an impairment loss amounting to US$813,000 be recognised.

For the purpose of impairment testing, goodwill and brand name (note 16) of approximately US$74,941,000 (2020: US$74,941,000) and US$31,777,000 (2020: US$31,777,000), respectively, have been allocated to the CGU representing Vista.

The recoverable amount of the CGU of Vista at 31 December 2021 has been determined 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 13.4% (2020: 13.3%), yearly growth rate of revenue of 5% (2020: 10% to 15%) and gross margins of 15.5% (2020: 16.5% to 17.5%). Cash flows beyond the five-year period are extrapolated using a steady 3% (2020: 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 the past performance of Vista and management's expectations of market conditions. The growth rates and discount rate have been reassessed at 31 December 2021 taking into consideration a higher degree of estimation variability in the current year due to uncertainty about both how the COVID-19 pandemic may evolve and volatility in financial markets, either of which could potentially disrupt the Group's operation. The Group has not recognised an impairment loss during the year ended 31 December 2021 (2020: nil) based on the impairment assessment performed.

15. GOODWILL (continued)

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$178,327,000 (2020: US$197,937,000) at 31 December 2021.

16. INTANGIBLE ASSETS

	Customer relationship US$'000	Brand name US$'000	Total US$'000
COST			
At 1 January 2020, 31 December 2020 and 31 December 2021	73,750	31,777	105,527
AMORTISATION			
At 1 January 2020	14,751	–	14,751
Provided for the year	4,917	–	4,917
At 31 December 2020	**19,668**	**–**	**19,668**
Provided for the year	**4,917**	**–**	**4,917**
At 31 December 2021	**24,585**	**–**	**24,585**
CARRYING VALUE			
At 31 December 2021	**49,165**	**31,777**	**80,942**
At 31 December 2020	54,082	31,777	85,859

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

	2021 US$'000	2020 US$'000
Cost of unlisted investment in an associate	**125**	125
Share of post-acquisition profit and other comprehensive income, net of dividend received	**88**	908
	213	1,033
Deemed contribution to an associate (note)	**16,125**	16,125
	16,338	17,158

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 the associate.

At 31 December 2021 and 2020, 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

	2021 US$'000	2020 US$'000
The Group's share of profit for the year	**530**	2,226
The Group's share of other comprehensive income (expense) for the year	**253**	(37)
The Group's share of total comprehensive income for the year	**783**	2,189
Dividend received from the associate during the year	**(1,603)**	(1,612)
The Group's share of the net assets of the associate	**213**	1,033

18. LOAN RECEIVABLES

Except for the amounts of approximately US$736,000 (2020: US$1,121,000) which carry interest rate at 3.8% (2020: 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

	2021 **US$'000**	2020 US$'000
Raw materials	**104,801**	72,455
Work in progress	**192,635**	147,216
Finished goods	**10,908**	15,938
	308,344	235,609

At 31 December 2021, approximately US$5,009,000 (2020: US$8,910,000) 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

	2021 **US$'000**	2020 US$'000
Trade receivables – contracts with customers	**206,726**	183,873
Less: allowance for expected credit losses	**(9,830)**	(9,218)
	196,896	174,655
Bills receivable	**15**	1,445
Temporary payments to suppliers	**11,032**	8,010
Other receivables, deposits and prepayments	**43,362**	40,299
	251,305	224,409

At 1 January 2020, trade receivables from contracts with customers amounted to US$272,567,000.

At 31 December 2020, trade receivables of the Group of approximately US$576,000 had been pledged to banks to secure general banking facilities granted to the Group (2021: nil).

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.

	2021 US$'000	2020 US$'000
Within 60 days	**179,886**	160,322
61 to 90 days	**14,501**	13,245
91 to 120 days	**2,278**	1,037
Over 120 days	**231**	51
	196,896	174,655

At 31 December 2021, total bills received amounting to US$15,000 (2020: US$1,445,000) 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 customer, 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 2021, included in the Group's trade receivables balance are debtors with an aggregate carrying amount of approximately US$1,239,000 (2020: US$7,866,000) which is past due at the end of the reporting period. Of the past due balances, US$8,000 (2020: US$38,000) 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 holds no 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.

	2021	2020
	US$'000	US$'000
Within 60 days	**77,223**	56,167
61 to 90 days	**14,962**	8,123
91 to 120 days	**6,291**	504
Over 120 days	**1,019**	193
	99,495	64,987

At 31 December 2021, included in the Group's trade receivables at FVTOCI balance are debtors with an aggregate carrying amount of approximately US$2,410,000 (2020: US$1,269,000), which is past due at the end of the reporting period. Of the past due balances, US$54,000 (2020: US$78,000) 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 holds no 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 2.75% (2020: 0% to 2.71%) per annum.

For the years ended 31 December 2021 and 2020, 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 the 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 2020, 31 December 2020 and 31 December 2021	3,500,000	4,482
Issued and fully paid:		
At 1 January 2020, 31 December 2020 and 31 December 2021	2,852,822	3,654

24. TRADE, BILLS AND OTHER PAYABLES

	2021 US$'000	2020 US$'000
Trade payables	**187,257**	172,881
Bills payable	**13,410**	16,224
Accrued staff cost	**92,303**	79,467
Other payables	**50,597**	51,367
Other accruals	**54,225**	38,992
Total trade, bills and other payables	**397,792**	358,931

The total is analysed for reporting purposes as:

	2021 US$'000	2020 US$'000
Current	**396,967**	357,632
Non-current	**825**	1,299
	397,792	358,931

At 31 December 2021, the non-current amounts are related to the purchase of property, plant and equipment and are unsecured, interest-free and repayable from 2023 to 2025 (2020: repayable from 2022 to 2025).

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.

	2021 US$'000	2020 US$'000
Within 60 days	**168,333**	142,948
61 to 90 days	**14,372**	25,176
91 to 120 days	**2,705**	2,469
Over 120 days	**1,847**	2,288
	187,257	172,881

25. LEASE LIABILITIES

	2021 US$'000	2020 US$'000
Lease liabilities payable:		
Within one year	**11,367**	12,183
Within a period of more than one year but not more than two years	**5,316**	5,404
Within a period of more than two years but not more than five years	**9,157**	2,461
Within a period of more than five years	**4,988**	4,037
	30,828	24,085
Less: Amounts due for settlement within 12 months shown under current liabilities	**(11,367)**	(12,183)
Amounts due for settlement after 12 months shown under non-current liabilities	**19,461**	11,902

The weighted average incremental borrowing rate applied to lease liabilities was 4.59% (2020: 5.93%) per annum.

At 31 December 2021, lease liabilities of approximately US$1,292,000 (2020: US$3,633,000) were due to companies controlled by certain directors of the Company. During the current year, interest expense of US$23,000 (2020: US$66,000) has been charged to profit or loss and repayment of principal and interest of US$2,555,000 (2020: US$3,655,000) 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 US$'000	Accelerated tax depreciation US$'000	Revaluation of properties US$'000	Defined benefit assets/liabilities US$'000	Tax losses US$'000	Total US$'000
At 1 January 2020	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
Exchange realignment	–	–	356	2	–	358
Charge (credit) to other comprehensive income	–	–	509	(163)	–	346
Acquisition of a subsidiary	3,876	(1)	–	–	–	3,875
(Credit) charge to profit or loss	(836)	572	535	–	(512)	(241)
At 31 December 2021	12,233	968	22,025	–	(512)	34,714

At 31 December 2021, the Group had unused tax losses of approximately US$9,432,000 (2020: US$20,347,000) available for offset against future profits. A deferred tax asset has been recognised in respect of US$3,656,000 (2020: nil) of such losses. No deferred tax asset has been recognised in respect of the remaining US$5,776,000 (2020: US$20,347,000) due to the unpredictability of future profit streams. Except for unrecognised tax losses of approximately US$385,000 (2020: US$9,529,000) that can be used to 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$52,087,000 (2020: US$42,274,000) 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 2021 and 2020 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 2021 by an actuary who is a fellow of the Institute and Faculty of Actuaries employed by 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 trustees of the defined benefit scheme entered an agreement with an insurance company towards the end of the year to assume full responsibility for the scheme. The agreement comprises principally two parts: the buy-in and the buy-out. In December 2021, a buy-in transaction was completed whereby the assets of the plan were invested in a bulk purchase annuity policy with an insurance company under which the benefit payable to defined benefit members became fully insured. The insurance policy was purchased using the existing assets of the plan and further contribution from the Group. The legally binding agreement is for the plan to move to a full buy-out as soon as practical, following which the insurance company will become directly responsible for pension payments. Various details need to be fully checked and confirmed before buy-out can occur. That is expected to take place during the coming year. Following buy-out and the subsequent winding up of the scheme, the Group will cease to have any responsibility to fund the scheme.

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

	2021	2020
Discount rate	**1.8%**	1.3%
Expected return on plan assets:		
– equities and property fund	**–**	5.7%
– bonds and cash	**–**	2.3%
Future pension increases	**3.6%**	3.0%
Inflation rate	**3.7%**	3.1%
Revaluation rate for deferred pensioners	**3.2%**	2.6%

The actuarial valuation showed that the market value of plan assets was US$52,211,000 (2020: US$54,224,000) and that the actuarial value of these assets represented 100% (2020: 102%) 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:

	2021 US$'000	2020 US$'000
Service cost		
Loss on settlement	**(11,202)**	–
Net interest income recognised in profit or loss	**8**	71
Components of defined benefit costs recognised in profit or loss	**(11,194)**	71
Remeasurement of the net defined benefit assets:		
Return on plan assets (excluding amounts included in net interest expense/income)	**523**	4,139
Actuarial gains (losses) arising from changes in financial assumptions	**1,339**	(6,066)
Actuarial gains (losses) arising from experience adjustments	**72**	(547)
Actuarial losses arising from changes in demographic assumptions	**(2,151)**	(643)
Components of defined benefit costs recognised in other comprehensive income	**(217)**	(3,117)
Total	**(11,411)**	(3,046)

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:

	2021 US$'000	2020 US$'000
Present value of funded defined benefit obligations	**52,211**	53,279
Fair value of plan assets	**(52,211)**	(54,224)
Net asset arising from defined benefit obligations	**–**	(945)

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:

	2021 US$'000	2020 US$'000
At beginning of the year	**53,279**	45,227
Exchange realignment	**(438)**	2,044
Interest cost	**687**	864
Benefits paid	**(2,057)**	(2,112)
Actuarial losses	**740**	7,256
At end of the year	**52,211**	53,279

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

	2021 US$'000	2020 US$'000
At beginning of the year	**54,224**	48,465
Exchange realignment	**(427)**	2,027
Interest income	**695**	935
Return on plan assets	**523**	4,139
Benefits paid	**(2,057)**	(2,112)
Settlement costs	**(11,202)**	–
Contributions from employer	**10,455**	770
At end of the year	**52,211**	54,224

The settlement costs result from the buy-in transaction. The policy has been structured to a buy-out that the Group intends to have achieve and for which there is a legal commitment. The buy-in transaction has been accounted for as a settlement cost with the loss arising recorded in profit or loss equal to the excess of the cost of the bulk purchase annuity policy over the related defined benefit obligations.

27. RETIREMENT BENEFIT PLANS (continued)

Defined benefit plan (continued)

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

	2021 US$'000	2020 US$'000
Cash and cash equivalents	**290**	2,608
Equity investments – Equity instrument fund	**–**	5,714
Diversified growth funds	**–**	19,395
Liability driven investment funds	**–**	12,561
Corporate bond fund	**–**	13,946
Asset held by an insurance company	**51,921**	–
Total	**52,211**	54,224

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

The actual return on plan assets was an approximate gain of US$1,218,000 (2020: US$5,074,000).

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 3.9% (2020: 3.7%).
- If the discount rate increases by 0.25%, the defined benefit obligation would decrease by 3.7% (2020: 3.6%).
- If the inflation rate increases by 0.25%, the defined benefit obligation would increase by 2.0% (2020: 2.5%).
- If the life expectancy increases by one year for both men and women, the defined benefit obligation would increase by 4.5% (2020: 4.1%).

27. RETIREMENT BENEFIT PLANS (continued)

Defined benefit plan (continued)

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 2021 is 15 years (2020: 15 years).

The contributions expected to be made by the Group to the defined benefit plan during the following 12 months at 31 December 2021 will be US$2,000,000 (2020: US$817,000).

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

28. BANK BORROWINGS

	2021 **US$'000**	2020 US$'000
Unsecured bank borrowings comprise:		
Bank loans	**55,886**	127,982
Bank import loans	**111,711**	50,426
	167,597	178,408
The carrying amounts of loans that contain a repayment on demand clause are repayable:		
Within one year	**167,597**	122,195
More than one year but not more than two years	**–**	56,213
	167,597	178,408
Less: Amounts due within one year shown under current liabilities	**(167,597)**	(178,408)
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 1.21% to 5.00% (2020: 1.25% to 5.00%) 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 2021 and 2020, the Group had balances with the following related companies:

	2021 **US$'000**	2020 US$'000
Amounts due from related companies (note i)		
Companies controlled by certain directors of the Company (note ii)	**217**	684

Notes:

(i) At 31 December 2021, amounts due from related companies included US$217,000 (2020: US$538,000) which are non-trade in nature, unsecured, interest-free and repayable on demand. The maximum balances during the current year were US$538,000 (2020: US$1,641,000). The remaining balance of US$146,000 at 31 December 2020 was trade in nature, unsecured, interest-free and repayable according to the credit period of 30 days. The amount was aged within 30 days.

(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. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Masterknit Limited

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

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

Acquisition-related costs have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "other income, gains and losses" line item in the consolidated statement of profit or loss and other comprehensive income.

31. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of Masterknit Limited (continued)

Assets and liabilities recognised at the date of acquisition

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

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

Non-controlling interests

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

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

31. ACQUISITION OF SUBSIDIARIES (continued)

(a) Acquisition of Masterknit Limited (continued)

Net cash inflows arising on acquisition of Masterknit

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

Impact of acquisition on the results of the Group

Included in the profit for the year is approximately US$654,000 attributed to the additional business generated by Masterknit. Revenue for the year includes US$3,282,000 generated from Masterknit.

Had the acquisition been completed on 1 January 2021, the Group's total revenue for the year ended 31 December 2021 would have been approximately US$2,343,782,000 and profit for the year ended 31 December 2021 would have been approximately US$164,131,000. This proforma information is provided for illustrative purposes only and is not necessarily an indication of the revenue and profits the Group would actually have achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

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

(b) Acquisition of Pine Wood Industries Limited

On 23 August 2021, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the "**Pine Wood Agreement**") with Green Sustainability International Limited ("**Green Sustainability**"), a company incorporated in Samoa with limited liability and Full Impact Limited ("**Full Impact**"), a company incorporated in the British Virgin Islands with limited liability, both are independent third parties.

Pursuant to the Pine Wood Agreement, the Group conditionally agreed to acquire and Green Sustainability and Full Impact conditionally agreed to sell 63% and 37%, respectively, of the equity interest in Pine Wood Industries Limited ("**Pine Wood**"), a company incorporated in the British Virgin Islands with limited liability. Pine Wood is an investment holding company and owned a fabric mill in Vietnam. The cash consideration of the acquisition is US$30,776,000. The acquisition has been completed on 30 September 2021 and accounted for as an acquisition of business using the acquisition method.

Acquisition-related costs have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "other income, gains and losses" line item in the consolidated statement of profit or loss and other comprehensive income.

31. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of Pine Wood Industries Limited (continued)

Assets and liabilities recognised at the date of acquisition

	US$'000
Property, plant and equipment	7,553
Right-of-use assets	17,500
Inventories	7,536
Trade and other receivables	3,170
Bank balances and cash	4,437
Trade and other payables	(1,519)
Bank borrowings	(4,835)
Tax payables	(3)
Deferred tax liabilities	(3,876)
	29,963

The fair value of trade and other receivables at the date of acquisition amounted to US$3,170,000. The gross contractual amounts of those trade and other receivables acquired amounted to US$3,337,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flow not expected to be collected is approximately US$167,000.

Goodwill arising on acquisition of Pine Wood

	US$'000
Consideration paid in cash	30,776
Less: fair value of identifiable net assets acquired	(29,963)
Goodwill arising on acquisition	813

Goodwill arose on the acquisition of Pine Wood because the cost of the acquisition included the assembled workforce of Pine Wood and some potential contracts which are still under negotiation with prospective new customers at the date of acquisition. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

31. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of Pine Wood Industries Limited (continued)

Net cash outflows arising on acquisition of Pine Wood

	US$'000
Consideration paid in cash	30,776
Less: bank balances and cash acquired	(4,437)
	26,339

Impact of acquisition on the results of the Group

Included in the profit for the year is US$550,000 attributed to the additional business generated by Pine Wood. Revenue for the year includes US$5,499,000 generated from Pine Wood.

Had the acquisition been completed on 1 January 2021, the Group's total revenue for the year ended 31 December 2021 would have been approximately US$2,358,199,000 and profit for the year ended 31 December 2021 would have been approximately US$163,606,000. This proforma information is provided for illustrative purposes only and is not necessarily an indication of the revenue and profits the Group would actually have achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

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

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 (2020: net cash), which includes lease liabilities and the borrowings disclosed in notes 25 and 28, respectively, less bank balances and cash and equity attributable to the 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

	2021 **US$'000**	2020 US$'000
Financial assets		
Financial assets at amortised cost	**627,826**	593,588
Trade receivables at FVTOCI	**99,495**	64,987
Financial liabilities		
Financial liabilities at amortised cost	**426,959**	422,080

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 and cash, trade, bills and other payables, amount due to an associate, lease liabilities, bank borrowings and a 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**	
	2021 **US$'000**	2020 US$'000	**2021** **US$'000**	2020 US$'000
HK$	**8,868**	26,686	**8,791**	5,006
Renminbi ("**RMB**")	**498**	1,308	**2,863**	1,558

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.

	2021	2020
	US$'000	US$'000
Post-tax profit	**99**	10

(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. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

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

	2021 **US$'000**	2020 US$'000
Other income, gains or losses		
Financial assets at amortised cost	**1,228**	1,823

Interest expense on financial liabilities not measured at FVTPL:

	2021 **US$'000**	2020 US$'000
Financial liabilities at amortised cost	**7,416**	9,968

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% (2020: 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% (2020: 0.5%) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2021 would decrease/increase by approximately US$838,000 (2020: US$745,000). 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 the financial guarantee contract.

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$669,000 (2020: US$11,942,000) have been recognised during the year ended 31 December 2021. Details of the quantitative disclosures are set out below in this note.

At 31 December 2021, trade receivables from the five largest customers represent approximately 71.4% (2020: 72.1%) 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 years ended 31 December 2021 and 2020, the Group has assessed the impairment of bank balances and has concluded that the probability of default 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 related companies. For the years ended 31 December 2021 and 2020, the Group has assessed the impairment of amounts due from related companies and has concluded that the probability 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 years ended 31 December 2021 and 2020, the Group has assessed the impairment of the loan advanced to an associate and has concluded that the probability 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 has provided impairment based on 12m ECL. For the years ended 31 December 2021 and 2020, the Group has assessed the ECL for bills and other receivables individually. No impairment loss has been recognised during the year ended 31 December 2021 (2020: US$803,000). 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 2021 (2020: US$6,500,000). At the end of the reporting period, the management has assessed impairment and considers that the probability of default by the associate is remote given its strong financial background. Accordingly, the loss allowance for the financial guarantee contract issued by the Group is measured at an amount equal to 12m ECL. For the years ended 31 December 2021 and 2020, the Group has assessed that the ECL for the 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 2021 US$'000	Gross carrying amount 2020 US$'000
Trade receivables – contracts with customers	20	Performing	Lifetime ECL – not credit-impaired	**163,340**	154,566
		In default	Lifetime ECL – credit-impaired	**43,386**	29,307
Trade receivables at FVTOCI	21	Performing	Lifetime ECL – not credit-impaired	**99,495**	64,987
Bills and other receivables	20	Performing	12m ECL	**12,042**	16,572
		In default	Lifetime ECL – credit-impaired	**643**	803
Loan advanced to an associate	17	Performing	12m ECL	**16,125**	16,125
Loan receivables	18	Performing	12m ECL	**1,276**	2,126
Amounts due from related companies	30	Performing	12m ECL	**217**	684
Bank balances	22	Performing	12m ECL	**400,747**	382,916
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 2020	–	–	–
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**
Impairment loss recognised[#]	**–**	**1,154**	**1,154**
Reversal of impairment loss recognised	**(396)**	**(89)**	**(485)**
Exchange realignment	**–**	**(57)**	**(57)**
At 31 December 2021	**289**	**9,541**	**9,830**

[#] The amount arises from the new trade receivables recognised during the years ended 31 December 2020 and 2021.

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
At 1 January 2020	–
Impairment loss recognised	803
At 31 December 2020	**803**
Write-offs	**(160)**
At 31 December 2021	**643**

33. FINANCIAL INSTRUMENTS (continued)

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

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.

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.

2021

	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$'000	Carrying amount at 31.12.2021 US$'000
Non-derivative financial liabilities							
Trade, bills and other payables	–	151,013	69,187	25,766	677	246,643	246,643
Lease liabilities	4.59	1,450	2,394	7,731	29,728	41,303	30,828
Amount due to an associate	–	12,719	–	–	–	12,719	12,719
Bank borrowings – variable rate	1.30	167,597	–	–	–	167,597	167,597
Financial guarantee contract (note)	–	6,500	–	–	–	6,500	–
		339,279	71,581	33,497	30,405	474,762	457,787

33. FINANCIAL INSTRUMENTS (continued)

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

Liquidity risk (continued)

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	–	136,862	70,464	25,469	1,299	234,094	234,094
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	–
		332,590	72,663	34,507	22,809	462,569	446,165

Note: The amount included above for the 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$167,597,000 at 31 December 2021 (2020: US$178,408,000). 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	Total undiscounted cash outflow	Carrying amount
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
2021	**25,201**	**69,359**	**73,947**	**–**	**168,507**	**167,597**
2020	4,073	42,299	77,268	57,600	181,240	178,408

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)

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

Interest rate benchmark reform

As listed in note 28, the Group's LIBOR/HIBOR bank borrowings will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant Interbank offered rate ("**IBOR**") regulators.

LIBOR

The Financial Conduct Authority has confirmed that all LIBOR settings will either cease to be provided by any administrator or no longer be representative under the timeline below:

- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and

- immediately after 30 June 2023, in the case of the remaining US dollar settings.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("**HONIA**") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBORs, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Liquidity risk

The additional uncertainty arising from various alternative rates which are typically published on overnight basis will require additional liquidity management. The Group's liquidity risk management policy has been updated to ensure sufficiency of liquid resources to accommodate unexpected increases in overnight rates.

33. FINANCIAL INSTRUMENTS (continued)

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

Interest rate benchmark reform (continued)

HIBOR (continued)

(i) Risks arising from the interest rate benchmark reform (continued)

Litigation risk

If no agreement is reached to implement the interest rate benchmark reform on contracts which have not been transitioned to the relevant alternative benchmark rates (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The Group is working closely with all counterparties to avoid this from occurring.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk under its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and to transact additional basis interest rate swaps if required.

(ii) Progress towards implementation of alternative benchmark interest rates

As part of the Group's risk management for transition, new contracts entered into by the Group are linked to the relevant alternative benchmark rates or interest rates, which are not subject to reform to the extent feasible. Otherwise, the Group ensures the relevant contracts include detailed fallback clauses clearly referencing the alternative benchmark rate and the specific triggering event on which the clause is activated.

At 31 December 2021, for all floating rate bank borrowings that are linked to 3-month LIBOR/HIBOR, the Group has confirmed with the relevant counterparty that 3-month LIBOR/HIBOR will continue till maturity.

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 2021		31 December 2020		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	**99,495**	**99,495**	64,987	64,987	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:

	2021	2020
	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	**54,568**	26,519

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:

	2021 US$'000	2020 US$'000
Property, plant and equipment (note 12)	2,499	4,739
Inventories (note 19)	5,009	8,910
Trade receivables (note 20)	–	576
	7,508	14,225

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	2021 US$'000	2020 US$'000
An associate	Purchase of materials	(23,875)	(32,721)
	Claims received	14	19
Companies controlled by certain directors of the Company (note i)	Management service income	393	783
	Subcontracting income	2,254	3,113
	Interest expense on lease liabilities	(23)	(66)
	Handling fee received	54	42
	Lease liabilities (note ii)	(1,292)	(3,633)

At 31 December 2021 and 2020, 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.

At 31 December 2021 and 2020, the Company has provided a corporate guarantee to its subsidiaries to fully secure the bank facilities granted to its subsidiaries. The Company is required to pay immediately if its subsidiaries are unable to meet their obligation.

At 31 December 2021 and 2020, the Company has provided a corporate guarantee to its subsidiary incorporated in the U.K. to secure its obligation and liabilities in relation to the defined benefits scheme set out in note 27 to the extent of approximately US$10,800,000. The Company is required to pay immediately if its subsidiary incorporated in the U.K. is unable to meet its obligation.

36. RELATED PARTY TRANSACTIONS (continued)

(a) Related party transactions (continued)

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 2021, the Group renewed several lease agreements for the use of office, warehouse, living quarters and production equipment (2020: office, warehouse, living quarters and production equipment) with companies controlled by certain directors of the Company. The lease terms were 1 year (2020: 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$1,292,000 (2020: US$3,633,000) of right-of-use assets and lease liabilities were recognised.

(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 2021 and 2020 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 2021 US$'000	Financing cash flows US$'000	Other changes US$'000	At 31 December 2021 US$'000
Bank borrowings (notes i and ii)	**178,408**	**(17,568)**	**6,757**	**167,597**
Lease liabilities (notes iii and iv)	**24,085**	**(18,877)**	**25,620**	**30,828**
Interest on factoring arrangement	**–**	**(2,969)**	**2,969**	**–**
	202,493	**(39,414)**	**35,346**	**198,425**

	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

Notes:

(i) Other changes of bank borrowings include the effect of foreign exchange rate changes, interest on bank borrowings and borrowings acquired during acquisition of subsidiaries.

(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
			2021		2020		
			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	Trading of garment
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	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
			2021		2020		
			Directly %	Indirectly %	Directly %	Indirectly %	
Crystal Elegance (Macao) Limited	Macau	MOP100,000	–	100	–	100	Trading of garments
Regent Garment Factory Limited	Vietnam	US$26,000,000	–	100	–	100	Manufacture of garments
Seiko Sweater (Macao Commercia Offshore) Limited@	Macau	MOP100,000	–	–	–	100	Trading of garments
Seiko (Macao) Limited	Macau	MOP100,000	–	100	–	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 companies are deregistered during the year ended 31 December 2021.

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

	2021 US$'000	2020 US$'000
ASSETS		
Non-current asset		
Investments in subsidiaries	**116,246**	58,242
Current assets		
Other receivables	**230**	61
Amounts due from subsidiaries	**485,970**	549,445
Bank balances and cash	**927**	785
	487,127	550,291
Total assets	**603,373**	608,533
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**3,654**	3,654
Reserves (note 40)	**598,169**	604,515
Total equity	**601,823**	608,169
Current liability		
Other payables	**1,550**	364
Total equity and liabilities	**603,373**	608,533

40. RESERVES OF THE COMPANY

	Share premium US$'000	Capital reserve US$'000	Retained profits US$'000	Total US$'000
At 1 January 2020	505,677	9,903	64,148	579,728
Profit and total comprehensive income for the year	–	–	67,108	67,108
Dividend paid (note 11)	–	–	(42,321)	(42,321)
At 31 December 2020	**505,677**	**9,903**	**88,935**	**604,515**
Profit and total comprehensive income for the year	**–**	**–**	**48,004**	**48,004**
Dividend paid (note 11)	**–**	**–**	**(54,350)**	**(54,350)**
At 31 December 2021	**505,677**	**9,903**	**82,589**	**598,169**

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 48 years (2020: 1 month to 60 years). During the year ended 31 December 2021, the Group recognised US$26,038,000 (2020: US$11,136,000) of right-of-use assets and US$26,038,000 (2020: US$11,136,000) of lease liabilities.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out below:

RESULTS

	Year ended 31 December				
	2017 US$'000	2018 US$'000	2019 US$'000	2020 US$'000	**2021** **US$'000**
Revenue	2,177,994	2,495,966	2,427,723	1,985,332	**2,341,432**
Profit before tax	174,371	170,000	174,322	123,117	**191,849**
Income tax expense	(25,854)	(20,808)	(22,418)	(15,032)	**(28,558)**
Profit for the year	148,517	149,192	151,904	108,085	**163,291**
Attributable to:					
Owners of the Company	148,429	149,192	151,904	108,085	**163,106**
Non-controlling interests	88	–	–	–	**185**
	148,517	149,192	151,904	108,085	**163,291**

ASSETS AND LIABILITIES

	At 31 December				
	2017 US$'000	2018 US$'000	2019 US$'000	2020 US$'000	**2021** **US$'000**
Total assets	1,821,725	1,839,952	1,816,168	1,782,512	**1,959,495**
Total liabilities	(910,957)	(853,513)	(728,150)	(618,131)	**(666,176)**
Total equity	910,768	986,439	1,088,018	1,164,381	**1,293,319**
Attributable to:					
Owners of the Company	910,768	986,439	1,088,018	1,164,381	**1,288,856**
Non-controlling interests	–	–	–	–	**4,463**
	910,768	986,439	1,088,018	1,164,381	**1,293,319**

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