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)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2018 amounted to US$1,200 million, representing an increase of 17%.
- Net profit for the six months ended 30 June 2018 amounted to US$71 million, representing an increase of 2%.
- The Board resolved to declare an interim dividend of HK4 cents (approximately US0.5 cent) per ordinary share.

INTERIM RESULTS

The board of directors (the "**Board**") of Crystal International Group Limited (the "**Company**") is pleased to announce the interim results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2018, together with the comparative figures for the six months ended 30 June 2017. The interim results and condensed consolidated financial statements for the six months ended 30 June 2018 have not been audited but have been reviewed by the Company's Audit Committee.

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
		2018	2017
		US$'000	*US$'000*
	NOTES	**(unaudited)**	(audited)
Revenue	*3*	**1,200,286**	1,027,463
Cost of sales		**(972,040)**	(822,528)
Gross profit		**228,246**	204,935
Other income, gains or losses		**7,297**	3,287
Selling and distribution expenses		**(20,472)**	(17,368)
Administrative and other expenses		**(125,176)**	(100,298)
Finance costs		**(8,394)**	(7,765)
Share of results of an associate		**1,007**	(677)
Profit before tax	*4*	**82,508**	82,114
Income tax expense	*5*	**(12,005)**	(12,884)
Profit for the period		**70,503**	69,230
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**(7,514)**	3,146
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit liabilities		**(59)**	2,868
Deferred tax expense arising on defined benefit liabilities		**(59)**	(552)
Surplus on revaluation of properties		**3,510**	4,210
Deferred tax expense arising on revaluation of properties		**(797)**	(827)
		2,595	5,699
Other comprehensive (expense) income for the period		**(4,919)**	8,845
Total comprehensive income for the period		**65,584**	78,075

	NOTE	Six months ended 30 June **2018** ***US$'000*** **(unaudited)**	 2017 *US$'000* (audited)
Profit for the period attributable to:			
Owners of the Company		**70,503**	69,142
Non-controlling interests		**–**	88
		70,503	69,230
Total comprehensive income for the period attributable to:			
Owners of the Company		**65,584**	77,987
Non-controlling interests		**–**	88
		65,584	78,075
Earnings per share for profit attributable to the owners of the Company *(US cents)*	*7*		
— basic		**2.48**	3.00
— diluted		**2.47**	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2018

	NOTE	At 30 June 2018 US$'000 (unaudited)	At 31 December 2017 US$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**607,524**	574,438
Deposits paid for acquisition of property, plant and equipment		**12,384**	12,145
Prepaid lease payments		**33,896**	34,752
Goodwill		**74,941**	74,941
Intangible assets		**98,151**	100,610
Interest in an associate		**16,209**	15,196
Loan receivables		**2,060**	2,625
		845,165	814,707
Current assets			
Inventories		**298,308**	249,372
Prepaid lease payments		**900**	879
Trade, bills and other receivables	*8*	**402,686**	337,597
Amount due from an associate		**–**	525
Amounts due from related companies		**1,202**	1,228
Loan receivables		**696**	696
Short-term bank deposit		**36,374**	–
Bank balances and cash		**316,811**	416,721
		1,056,977	1,007,018
Total assets		**1,902,142**	1,821,725

	NOTE	At 30 June 2018 US$'000 (unaudited)	At 31 December 2017 US$'000 (audited)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		**3,654**	3,654
Reserves		**930,361**	907,114
Total equity		**934,015**	910,768
Non-current liabilities			
Other payables	*9*	**6,579**	8,933
Deferred taxation		**31,489**	31,254
Defined benefit liabilities		**–**	265
Derivative financial instruments		**2,478**	–
Bank borrowings		**–**	23,000
		40,546	63,452
Current liabilities			
Trade, bills and other payables	*9*	**351,757**	321,004
Amount due to an associate		**3,887**	–
Derivative financial instruments		**2,415**	–
Dividend payable		**44,582**	–
Tax liabilities		**24,570**	19,177
Bank borrowings		**500,370**	507,324
		927,581	847,505
Total equity and liabilities		**1,902,142**	1,821,725

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. GENERAL AND BASIS OF PREPARATION

The Company was previously incorporated in Bermuda with limited liability and registered by way of continuation in the Cayman Islands as an exempted company with limited liability. Its parent and ultimate holding company is Crystal Group Limited (previously incorporated in Bermuda and redomiciled in the Cayman Islands). 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 Crystal Industrial Building, 71 How Ming Street, Kwun Tong, 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 ("**Listing Date**").

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

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

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

Other than changes in accounting policies resulting from application of new and amendments to IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatorily effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IAS 40	Transfers of Investment Property
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014–2016 Cycle
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of garments. All revenue generated by the Group is recognised at a point in time.

Information reported to the executive directors of the Company, 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) Sweater

(v) Sportswear and outdoor apparel

(vi) Others

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

Segment revenues and results

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

Six months ended 30 June 2018 (unaudited)

	Lifestyle wear *US$'000*	Denim *US$'000*	Intimate *US$'000*	Sweater *US$'000*	Sportswear and outdoor apparel *US$'000*	Others *US$'000*	Total *US$'000*
SEGMENT REVENUE							
External sales	**473,677**	**304,650**	**205,484**	**101,268**	**110,307**	**4,900**	**1,200,286**
Segment profit	**91,774**	**52,272**	**43,309**	**17,136**	**19,501**	**4,254**	**228,246**
Other income, gains or losses							**7,297**
Selling and distribution expenses							**(20,472)**
Administrative and other expenses							**(125,176)**
Finance costs							**(8,394)**
Share of results of an associate							**1,007**
Profit before tax							**82,508**

Six months ended 30 June 2017 (audited)

	Lifestyle wear *US$'000*	Denim *US$'000*	Intimate *US$'000*	Sweater *US$'000*	Sportswear and outdoor apparel *US$'000*	Others *US$'000*	Total *US$'000*
SEGMENT REVENUE							
External sales	404,492	261,334	187,549	68,990	98,439	6,659	1,027,463
Segment profit	78,375	50,045	40,178	13,665	17,693	4,979	204,935
Other income, gains or losses							3,287
Selling and distribution expenses							(17,368)
Administrative and other expenses							(100,298)
Finance costs							(7,765)
Share of results of an associate							(677)
Profit before tax							82,114

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of other income, gains or losses, selling and distribution expenses, administrative and other 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.

No further analysis is presented for certain items included or excluded in the measure of segment result as such information is not regularly provided to the CODM.

Geographical information

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

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(unaudited)	(audited)
Asia Pacific *(note i)*	**478,840**	380,955
United States	**448,055**	382,395
Europe *(note ii)*	**225,106**	226,897
Other countries/regions	**48,285**	37,216
	1,200,286	1,027,463

Notes:

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

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

4. PROFIT BEFORE TAX

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(unaudited)	(audited)
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**1,925**	1,746
Other staff costs	**283,512**	226,628
Retirement benefit schemes contributions for other staff	**22,425**	19,530
Total staff costs	**307,862**	247,904
Amortisation of prepaid lease payments	**491**	466
Depreciation of property, plant and equipment	**33,488**	26,884
Amortisation of intangible asset (included in selling and distribution expenses)	**2,459**	2,459
Impairment loss (reversed) recognised in respect of property, plant and equipment	**(4,724)**	736
Cost of inventories recognised as expenses	**966,303**	817,193
Write-down of inventories	**5,737**	5,335
Loss on disposals of property, plant and equipment	**128**	295
Reversal of impairment of other receivables	**–**	(1,523)
Allowance for trade receivables, net	**–**	37
Loss arising from changes in fair value/derecognition of derivative financial instruments	**4,901**	1,648
Listing expenses	**–**	2,169

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(unaudited)	(audited)
The income tax expense comprises:		
Hong Kong Profits Tax		
— current year	**4,732**	7,849
— overprovision in prior years	**(81)**	–
Overseas taxation		
— current year	**8,598**	4,962
— overprovision in prior years	**(781)**	(13)
	12,468	12,798
Deferred taxation	**(463)**	86
	12,005	12,884

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

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

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

6. DIVIDENDS

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(unaudited)	(audited)
Final, declared, of HK12.3 cents per ordinary share for 2017 (2017: nil for 2016)	**44,582**	–
Interim, paid, of US$5,376 per ordinary share for 2017	**–**	64,512
	44,582	64,512

Pursuant to resolution passed by the Board on 16 August 2018, the Board declared an interim dividend of HK4 cents (six months ended 30 Jun 2017: US$5,376) per ordinary share, totaling approximately HK$114,113,000 (equivalent to approximately US$14,540,000) (30 June 2017: approximately US$64,512,000) estimated based on shares in issue at 30 June 2018. This declared dividend is not reflected as a dividend payable in this condensed consolidated financial statements, but will be reflected as an appropriation of reserve for the year ended 31 December 2018.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	US$'000	*US$'000*
	(unaudited)	(audited)
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	**70,503**	69,142
Number of shares:	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share ***(note i and ii)***	**2,844,514**	2,306,880
Effect of dilutive potential ordinary shares:		
— Share Award Scheme B	**5,321**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,849,835**	N/A

Notes:

(i) The weighted average number of ordinary shares above has been arrived at after deducting the second and third tranches of award shares that are not yet vested but held by the trustee of Share Award Scheme B.

(ii) The weighted average number of ordinary shares for the purpose of basic earnings per share has been adjusted retrospectively for the six months ended 30 June 2017 for the effect of re-denomination issue. Details of re-denomination issue were disclosed in the consolidated financial statements for the year ended 31 December 2017.

No diluted earnings per share for the six months ended 30 June 2017 were presented as there were no potential ordinary shares in issue during the six months ended 30 June 2017.

8. TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2018 ***US$'000*** **(unaudited)**	At 31 December 2017 *US$'000* (audited)
Trade receivables	**330,232**	285,883
Less: allowance for doubtful debts	**–**	(38)
	330,232	285,845
Bills receivable	**–**	949
Temporary payments	**9,935**	6,283
Other deposits and prepayments	**62,519**	44,520
	402,686	337,597

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

	At 30 June 2018 ***US$'000*** **(unaudited)**	At 31 December 2017 *US$'000* (audited)
Within 60 days	**314,725**	263,388
61 – 90 days	**13,206**	19,030
91 – 120 days	**2,089**	2,070
Over 120 days	**212**	1,357
	330,232	285,845

9. TRADE, BILLS AND OTHER PAYABLES

	At 30 June 2018 *US$'000* (unaudited)	At 31 December 2017 *US$'000* (audited)
Trade payables	**201,764**	142,412
Bills payable	**5,098**	6,899
Accrued staff cost	**62,181**	74,927
Other payables	**51,289**	50,037
Other accruals	**38,004**	55,662
Total trade, bills and other payables	**358,336**	329,937

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

	At 30 June 2018 *US$'000* (unaudited)	At 31 December 2017 *US$'000* (audited)
Within 60 days	**193,880**	139,960
61 to 90 days	**5,488**	1,515
91 to 120 days	**1,169**	467
Over 120 days	**1,227**	470
	201,764	142,412

At 30 June 2018, the non-current amounts are related to the purchase of property, plant and equipment and are unsecured, interest-free and repayable on demand from 2019 to 2021 (31 December 2017: repayable from 2019 to 2021).

The total is analysed for reporting purposes as:

	At 30 June 2018 *US$'000* (unaudited)	At 31 December 2017 *US$'000* (audited)
Current	**351,757**	321,004
Non-current	**6,579**	8,933
	358,336	329,937

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

World trade continued to grow during the six months ended 30 June 2018 despite increasing tensions between the United States of America (the "**USA**") and the PRC over trade balances and practices, fair access to markets, intellectual property rights, concerns over state security and unfair subsidies. The threat of a trade war increased steadily with various tariff increases being imposed by both nations, a pattern of action that has continued since 30 June 2018.

Inevitably, this situation has had an influence on currency values while actions taken by the respective central banks of the two nations regarding quantitative easing and interest rate policy and measures related to debt control, especially in the PRC have also had significant impact. The Renminbi (the "**RMB**") appreciated in value against the US$ during the first four months of 2018 before reversing that trend in May onwards.

The economies of Asia Pacific and the USA continued to grow at an overall rapid pace and this was reflected in consumer demand whereas economic growth in Europe in 2018 has been muted by comparison. This situation was reflected in the lacklustre growth of European consumer demand.

At the time of preparing this analysis, world trade has continued to grow reasonably robustly since 30 June 2018 while the RMB has continued to depreciate against the US$. It is difficult to know if, in the remainder of 2018, there will be an unrestrained trade tension or if the threat of that will be used as a negotiating tactic to prompt discussions to resolve grievances and difficulties. A full scale trade war would be expected to place a damper on the continued growth in global economy.

Business Review

The first half of 2018 has been a beneficial and also challenging period for the Group. Revenue growth of 17% reflecting our good relationships with customers and we continue to benefit from co-creation with our customers. In endeavouring to meet our customers' demands and expectations, constraints on our Group's operating capacity led to an increased use of airfreight in delivering orders.

Shortage of skilled labour in the PRC had become more severe and further impacted our production capacity. When skilled workers are in short supply, time is required to train new workers to gain the necessary experience. Our labour relations are good and our retention policies work well so that the newly trained skilled labour tend to stay but there is an overall adverse impact on both production volumes and efficiency during that time of training and development. This resulted in sub-optimal allocation of production capacity as we were short of capacity that we had expected to be in place for higher margin orders.

To respond to these challenges, the Group has enhanced its SAP-based systems that will facilitate us to assess the overall margin impact at the Group level during individual order intake. In parallel, we re-prioritized gross margins over certain factors when we select orders. The benefits of these initiatives will be fully realized next year.

The Group has been fortunate that its diversity of production locations has assisted in offsetting the skilled labour shortages in the PRC and it is an advantage that few of our competitors can match.

The sudden short bursts of appreciation of the RMB had an adverse effect on the cost of operation in the PRC. In addition, in order to attract skilled workers, we raised wages which added to the operating costs in the PRC.

The Group is continuing its expansion of capacity in an orderly manner and in accordance with its projections of capital expenditure. When new facilities are opened and production commences a period of time is taken to reach acceptable levels of efficient production and effective use of capacity. The capital expenditure of 2018 is expected to be between US$150 million to US$180 million, with the majority being spent on projects located outside the PRC. The Group's capacity is expected to double in four to five years. The planned expansion of capacity through four factories in Vietnam and one in Bangladesh is implementing our strategy to migrate production to low cost countries. We continue to pursue upstream vertical expansion and we are in the process of identifying a suitable location for the acquisition of land.

Revenue for the first half in 2018 has grown at an acceptable level. Although the gross margin has been negatively impacted by the factors mentioned above, their impact has been mitigated by our margin expansion drivers such as co-creation, migrating production to low cost countries, product mix optimization and efficiency enhancement through automation. The Group is pleased that the reduction in gross profit margin was limited to less than one percentage point and a lesser impact to net profit margin.

FINANCIAL REVIEW

Revenue

All five segments have experienced growth in revenue compared to the first half of 2017 as shown in the table below with Lifestyle wear, Denim and Sweater achieving significant amounts of increase in dollar terms.

	Six months ended 30 June			
	2018		2017	
	US$'000	*%*	*US$'000*	*%*
Lifestyle wear	**473,677**	**39.5%**	404,492	39.4%
Denim	**304,650**	**25.4%**	261,334	25.4%
Intimate	**205,484**	**17.1%**	187,549	18.3%
Sweater	**101,268**	**8.4%**	68,990	6.7%
Sportswear and outdoor apparel	**110,307**	**9.2%**	98,439	9.6%
Others[1]	**4,900**	**0.4%**	6,659	0.6%
Total Revenue	**1,200,286**	**100.0%**	1,027,463	100.0%

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

The increased revenue for Lifestyle wear is the result of deepened co-creation activities with key customers. Denim divisions revenue benefited from our customers' consolidation of their supply chain to key suppliers. The increased revenue for Sweater arises mainly from a large increase in low-season orders to better utilize low season capacity. Slower growth for Intimate was mainly due to shortage of skilled labour in the PRC. Revenue growth for Sportswear and outdoor apparel was mainly hindered by capacity constraints.

The Group's sales analysed by geographic region based on port of discharge are given in the table below breakdown.

	Six months ended 30 June			
	2018		2017	
	US$'000	*%*	*US$'000*	*%*
Asia Pacific[1]	**478,840**	**39.9%**	380,955	37.1%
United States	**448,055**	**37.3%**	382,395	37.2%
Europe[2]	**225,106**	**18.8%**	226,897	22.1%
Other countries/regions	**48,285**	**4.0%**	37,216	3.6%
Total Revenue	**1,200,286**	**100.0%**	1,027,463	100.0%

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

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

Strong consumer demand in the first half of this year in the Asia Pacific Region and the USA has contributed to the increase in orders delivered to these two areas. Sales to Europe have remained almost flat due to sluggish consumer demand and we are pleased to have maintained a similar level of turnover compared that in the first half of 2017.

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

	Six months ended 30 June			
	2018		2017	
	US$'000	***%***	*US$'000*	*%*
PRC	**428,714**	**35.7%**	427,468	41.6%
Non–PRC	**771,572**	**64.3%**	599,995	58.4%
Total Revenue	**1,200,286**	**100.0%**	1,027,463	100.0%

The table reflects the effect of our policy of migrating production to low cost countries.

Cost of Sales and Gross Profit

	Six months ended 30 June			
	2018		2017	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin
	US$'000	***%***	*US$'000*	*%*
Lifestyle wear	**91,774**	**19.4%**	78,375	19.4%
Denim	**52,272**	**17.2%**	50,045	19.1%
Intimate	**43,309**	**21.1%**	40,178	21.4%
Sweater	**17,136**	**16.9%**	13,665	19.8%
Sportswear and outdoor apparel	**19,501**	**17.7%**	17,693	18.0%
Others	**4,254**	**86.8%**	4,979	74.8%
Total Gross Profit	**228,246**	**19.0%**	204,935	19.9%

The cost of sales mainly composes of materials, production labour cost, subcontractors and equipment deprecation in use. The increases in labour costs and the effects of the RMB appreciation were the main causes for the increase in cost of sales rising from 80.1% of revenue in the first half of 2017 to 81.0% in the first half of 2018. In view of the various challenges, we are please to report that gross profit increased US$23 million in the first half of 2018 and gross profit margin only decreased by less than one percentage point.

For Lifestyle wear, gross profit margin was stable at 19.4% in the first half of 2018 as compared to 30 June 2017. The margin expansion was offset by the appreciation of the RMB in the first half of 2018.

Gross profit margin for Denim has been decreased from 19.1% for the six months ended 30 June 2017 to 17.2% for the same period in 2018, mainly because of appreciation of RMB and new factory cost incurred in Vietnam in the first half of 2018. We have been accelerating our construction of Vietnam factory to cope with the strong demand from our customers.

For Intimate, in the first half of 2018, we experienced shortage of skilled workers in the PRC and the RMB appreciation, leading to an increase in our production cost in the PRC. As we have started to migrate some of our production in Vietnam previously, the margin expansion from migration to Vietnam has partly offset the adverse impact of increased production costs in the PRC, resulted in a moderate decline of gross profit margin from 21.4% for the six months ended 30 June 2017 to 21.1% for the same period in 2018.

Speeding up the process of our Vietnam expansion has led to higher start-up cost for Sportswear and outdoor apparel and thus gross profit margin has decreased from 18.0% for the six months ended 30 June 2017 to 17.7% for the same period in 2018.

For Sweater, gross profit margin decreased as we were able to fill up more low-season orders which are normally with lower margins.

Other Expenses and Finance Costs

Selling and distribution expenses have been tightly controlled in the first half year and rise in almost direct relationship to the increase in revenue. Similar to the first half of 2017, they amount to 1.7% of revenue.

Administrative and other expenses have risen in the six months ended 30 June 2018 in line with projections compared to the same period in 2017 apart from a charge of US$6 million for net foreign exchange losses incurred in 2018. Without this charge, they would have equated to 9.9% of revenue compared to 9.8% in 2017.

The effective borrowing rate for the Group in the six months ended 30 June 2018 ranged from 3.46% to 5.25% compared to 0.74% to 5.25% in the same period in 2017. Although finance costs increased in dollar terms there was a small reduction in percentage terms to 0.7% of revenue in the half year to 30 June 2018 from 0.8% in the half year to 30 June 2017.

Net Profit

Net profit for the six months ended 30 June 2018 increased to US$71 million compared to US$69 million for the same period in 2017. Despite the challenges encountered, net profit achieved has been stable as announced in June while the decline as a percentage of revenue from 6.7% in 2017 to 5.9% in 2018 reflects both the difficult environment that evolved in the first half of this year (adverse impact of 80 basis point because of the RMB appreciation) and the positive impact of the actions taken and in progress to manage the situation.

Capital Management

The consolidated financial position of the Group has been sound throughout the first half of 2018. Positive operating cash flow of US$41 million in the six months (US$23 million in the same period of 2017) has contributed to cash and cash equivalents of US$313 million at 30 June 2018 compared to US$413 million at 31 December 2017. Bank borrowings have been reduced from US$530 million at 31 December 2017 to US$500 million at 30 June 2018 with the repayment of the Vista Corp Holdings Limited and its subsidiaries ("**Vista**") related loans. Consequently, the gearing ratio (total interest-bearing bank borrowings less short-term bank deposit and bank balances and cash, divided by total equity) at 30 June 2018 was a healthy 15.8% compared to 12.5% at 31 December 2017.

Foreign currency exchange contracts are used to manage foreign currency exposure. At 30 June 2018, the notional amount of the outstanding foreign currency exchange contracts in respect of the RMB against US$ was US$120 million. 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.

Close attention is given to the management of working capital. Consequently, the cash conversion cycle in the six months ended 30 June 2018 averaged 65 days compared to 63 days for the whole of 2017. This reflects the growth in revenue in the period (in particular a significant increase in demand for shipment from one customer towards the end of the period) which also caused the average turnover of trade and bills receivables to extend to 47 days in the first half of 2018 compared to 44 days averaged turnover throughout 2017. Inventory turnover averaged 51 days in the first half of 2018 compared to 49 days throughout 2017 mainly due to an increase in materials for the Sweater division to meet demand in its peak season third quarter of the year. This situation regarding conversion cycles is expected to be maintained during the second half of 2018.

Capital expenditure, which is incurred in the main for the building, equipping and upgrading of production facilities, is carefully managed. For the six months ended 30 June 2018, capital expenditure amounted to US$65 million, of which 12% was incurred in the PRC, compared to US$52 million, of which 24% was incurred in the PRC, for the same period in 2017. Capital commitments at 30 June 2018 were US$32 million compared to US$53 million at 31 December 2017.

Use of Proceeds from Initial Public Offering

The net proceeds from the issue of new shares of the Company for listing on the Stock Exchange on 3 November 2017 were US$488 million (HK$3,809 million) and have been applied in accordance with the allocation set out in the prospectus of the Company of 23 October 2017 as follows:

- US$220 million (HK$1,714 million) for capital expenditure to increase manufacturing capacity

- US$97 million (HK$762 million) for upstream vertical integration into fabric production in Asia

- US$122 million (HK$952 million) for the repayment of Vista related loans

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

For the period from the Listing Date and 30 June 2018, US$233 million (HK$1,822 million) has been applied to the expansion of manufacturing capacity of US$88 million (HK$690 million,) repayment of Vista related loans of US$122 million (HK$952 million) and working capital of US$23 million (HK$180 million.) At 30 June 2018, unutilised net proceeds were deposited in licensed banks, which will be applied in accordance with the allocation set out in the prospectus. The directors of the Company intend to utilized such net proceeds in the manner disclosed in prospectus.

Contingent Liabilities

At 30 June 2018, the Group had no material contingent liability (31 December 2017: Nil).

Events Occurring after the Reporting Period

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

EMPLOYMENT, TRAINING AND DEVELOPMENT

The Group employed 81,000 people at 30 June 2018. Total staff costs, including administrative and management staff, in the six months to 30 June 2018 equated to 25.6% of revenue compared to 24.1% in the same period of 2017. The staff cost increase was mainly due to staff cost increase in the PRC as a result of the RMB appreciation and increase in incentive pay to factory labour to mitigate shortage of skilled labour. We will continue to migrate to low cost countries. 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.

SUSTAINABILITY STRATEGY

The Group uses five pillars to underpin its sustainable development strategy, the pillars being: environment, innovation, product integrity, employee care, and community engagement. The bottom line of our sustainability strategy has three interwoven strands — while we strive for profit, we care for people and we care for the planet.

During the year, we unveiled our third cycle of Global 5-Year Sustainability Targets running from 2018 to 2022. In addition to environmental goals, the latest targets incorporate social indicators pertaining to talent development and community engagement.

Environmental protection

The Group started its second cycle of Global 5-Year Environmental Targets (2013-2017) in 2013. These targets included water conservation, carbon reduction, energy saving, and tree planting. Upon the completion of the target cycle, all time-bound and measurable goals have been achieved satisfactorily. Since 2007, we have planted around 2.2 million trees in the countries where we have a presence.

In 2018, all factories adopted the Higg Facility Environmental Module ("FEM") 3.0 by completing self-assessments with a view to identifying room for improved environmental sustainability. Higg FEM is an assessment tool for sustainable production developed by the Sustainable Apparel Coalition, a leading alliance of the apparel, footwear and textile industries. The tool standardizes how manufacturing facilities measure and evaluate their environmental performance holistically.

Employee care

We have continued our female empowerment endeavour with the implementation of Crystal Advocates Respect and Engagement Programme, which aims to develop our workers from achieving effectiveness to embracing breakthroughs. All 20 factories have joined the programme, which is expected to benefit 40,000 workers across global operations by 2020.

Besides personal development, we believe in maintaining a harmonious and trustful relationship between the Company and our workers. To this end, we have been working in close collaboration with brand customers and Better Work, a joint initiative of the International Labour Organization and the International Finance Corporation that helps to improve working conditions in supply chains and to enhance industrial relations through capacity building, surveys and assessments, as well as social dialogue.

OUTLOOK AND PROSPECTS

Although the RMB has become less volatile at the time of preparing this analysis, the overall macro operating environment in the PRC would still be a challenge in the remainder of 2018. On-going trade tension between the USA and the PRC, capacity shortage due to the lack of the skilled labour supply and the increase in minimum wage in the Guangdong province in the PRC all add to the uncertainty affecting the Group's operations. The capacity shortage affects our order intake which has an adverse impact on margin in the near term. In addition, there has been a significant increase in the price of cotton. These short-term headwinds are expected to weigh on the profitability of the Group in the second half of 2018.

Nonetheless, we are confident about our business growth momentum despite short-term headwinds affecting profitability. Our strategic partnerships with customers, leads us to believe that we will continue to be in a good position to benefit from industry consolidation. In addition, our margin expansion drivers are expected to contribute positively. We expect the start-up costs of new factories will be significant. It is crucial that we accelerate our production capacity expansion in low cost countries outside the PRC, so that we can respond effectively to the growing demand from our customers and at the same time sustain our business growth in the long term.

OTHER INFORMATION

Interim Dividend

The Board resolved to declare an interim dividend of HK4 cents (approximately US0.5 cent) per ordinary share for the six months ended 30 June 2018 to the shareholders whose names appear on the register of members of the Company on 4 September 2018.

The interim dividend is expected to be paid on 14 September 2018.

Closure of Register of Members

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Friday, 31 August 2018 to Tuesday, 4 September 2018 both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrars in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 30 August 2018.

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

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

PUBLIC FLOAT

At the date of this interim announcement, based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules and as agreed with the Stock Exchange since the Listing Date up to the date of this interim announcement.

CORPORATE GOVERNANCE

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has been in compliance with all code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Upon specific enquiries being made of all Directors, each of them has confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2018 and up to the date of this interim announcement.

The Group have established written guidelines for relevant employees with no less exacting terms than the Model Code in respect of securities transactions. No incident of non-compliance with the written guidelines was noted throughout the six months ended 30 June 2018 and up to the date of this interim announcement.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Listing Rules and the CG Code. The Audit Committee consists of three independent non-executive directors and Mr. Anthony Nigel Clifton Griffiths, the chairman of the Audit Committee, possesses the appropriate professional qualifications. The primary duties of the Audit Committee are to oversee the financial reporting system and internal control system of the Group, oversee the audit process and review the Group's management of existing and potential risks of the Group and perform other duties and responsibilities as delegated by the Board.

For the six months ended 30 June 2018, the Audit Committee met the auditors to discuss their findings during the audit of the consolidated financial statements for the year ended 31 December 2017. Nothing of a significant nature regarding internal controls and risk management was reported. The Audit Committee reviewed the actions taken by management to address the findings and was satisfied with the work done. The Audit Committee also reviewed the work of the Internal Audit in examining the application of policies and internal controls in specific locations within the Group and was satisfied with the quality of the work undertaken. Nothing of a material nature was revealed and the Audit Committee proposed to the board a small number of actions to strengthen compliance further that were adopted and are being implemented.

The Audit Committee of the Company has reviewed, together with the management of the Group, the accounting principles and policies adopted by the Group, and discussed the unaudited condensed consolidated financial statements and interim results announcement of the Group for the six months ended 30 June 2018 and recommended its adoption by the Board.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 have been reviewed by the independent auditors of the Company, Messrs. Deloitte Touche Tohmatsu, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board.

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, and management provides a confirmation to the Board on the effectiveness of these systems.

The Board 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 are reviewed at least annually then reported to the shareholders in a timely manner.

The Group has a written risk assessment process to identify, evaluate and manage significant risks. The Group uses a risk ranking process involves analysis of the likelihood of occurrence and impact of each identified risk to enable management to prioritize the identified risks and assign risk owners. Based on the risk ranking classification, management will analyze the measures that have been entered in the risk response table based on risk priorities. All high risk items are reduced or managed by mitigating actions while all medium risk items are considered for mitigation which is subject to a cost-and-benefit analysis. Risk strategies are then implemented by avoiding, transferring, mitigating or accepting the risk identified. The residual risk is evaluated and monitored. Key risks are reviewed by the executive committee on a semi-annual basis.

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

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is published on the website of the Stock Exchange at http://www.hkexnews.hk and the Company's website at http://www.crystalgroup.com. The 2018 interim report for the six months ended 30 June 2018 will be dispatched to the Company's shareholders and published on the respective websites in due course.

By Order of the Board
LO Lok Fung Kenneth
Chairman

Hong Kong, 16 August 2018

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