晶苑國際集團有限公司*

CRYSTAL INTERNATIONAL GROUP LIMITED

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

Stock Code: 2232

INTERIM REPORT 2018

* 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

Independent Non-executive Directors

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

BOARD COMMITTEES

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Corporate Development Committee

Mr. LO Ching Leung Andrew *(Chairman)*
Mr. MAK Wing Sum Alvin
Mr. CHANG George Ka Ki
Mr. WONG Chi Fai
Mr. WONG Sing Wah
Mr. LEE King Fai CPA

AUTHORIZED REPRESENTATIVES

Mr. LO Ching Leung Andrew
Mr. LEE King Fai CPA

COMPANY SECRETARY

Mr. LEE King Fai CPA

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Ugland House
P.O. Box 309
Grand Cayman KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

3/F, Crystal Industrial Building
71 How Ming Street
Kwun Tong
Kowloon
Hong Kong

HEADQUARTERS

Crystal Industrial Building
71 How Ming Street
Kwun Tong
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093
Boundary Hill, Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Tel: 852 2862 8555
Fax: 852 2865 0990
Email: hkinfo@computershare.com.hk

LEGAL ADVISERS

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

COMPLIANCE ADVISER

Guotai Junan Capital Limited

COMPANY WEBSITE

http://www.crystalgroup.com

STOCK CODE

2232

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2018	2017
	(unaudited)	(audited)
Key Financial Information (US$'000)		
Revenue	**1,200,286**	1,027,463
Cost of Sales	**972,040**	822,528
Gross Profit	**228,246**	204,935
Profit for the period	**70,503**	69,230
Attributable to:		
— Owners of the Company	**70,503**	69,142
— Non-controlling interests	**–**	88
Earnings per share for profit attributable to the owners of the Company (US cents)		
— basic	**2.48**	3.00
— diluted	**2.47**	N/A
Key Financial Ratios		
Gross profit margin (%)	**19.0%**	19.9%
Net profit margin (%)	**5.9%**	6.7%

	At 30 June	At 31 December
	2018	2017
Key Financial Information (US$'000)		
Total assets	**1,902,142**	1,821,725
Total liabilities	**968,127**	910,957
Total equity attributable to owners of the Company	**934,015**	910,768
Net debt (1)	**147,185**	113,603
Short-term bank deposit	**36,374**	–
Cash and cash equivalents	**312,914**	412,696
Key Financial Ratios		
Net debt to equity ratio (%) (2)	**15.8%**	12.5%
Cash conversion cycle (days) (3)	**65**	63

Notes:

1. Net debt represents total interest-bearing bank borrowings less short-term bank deposit and bank balances and cash.

2. Net debt to equity ratio represents total interest-bearing bank borrowings less short-term bank deposit and bank balances and cash, divided by total equity.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 People's Republic of China (the "**PRC**") over trade balances and practices, fair access to markets, intellectual property rights, concerns about 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 affected the exchange rate between the two countries' currencies. Meanwhile, 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 significant impact in the PRC. The Renminbi (the "**RMB**") appreciated in value against the United States dollars (the "**US$**") during the first four months of 2018 before the trend was reversed in May onwards.

Overall, the economies of Asia Pacific and the USA continued to grow rapidly and this was reflected by consumer demand whereas economic growth in Europe in 2018 has been muted by comparison. This situation was reflected by the lacklustre growth in European consumer demand.

At the time of preparing this analysis, world trade had been growing 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% reflected our good relationships with customers and we continue to benefit from co-creation with our customers. In endeavouring to meet our customers' demand and expectations, constraints on its operating capacity led to an increased use of airfreight for 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 workers tend to stay but there is an overall adverse impact on both production volume 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-prioritised gross margins over certain factors when we select orders. The benefits of these initiatives will be fully realised next year.

The Group has been fortunate that its diverse production locations have assisted it 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, the Group raised wages in order to attract skilled workers, thus adding to the operating costs in the PRC.

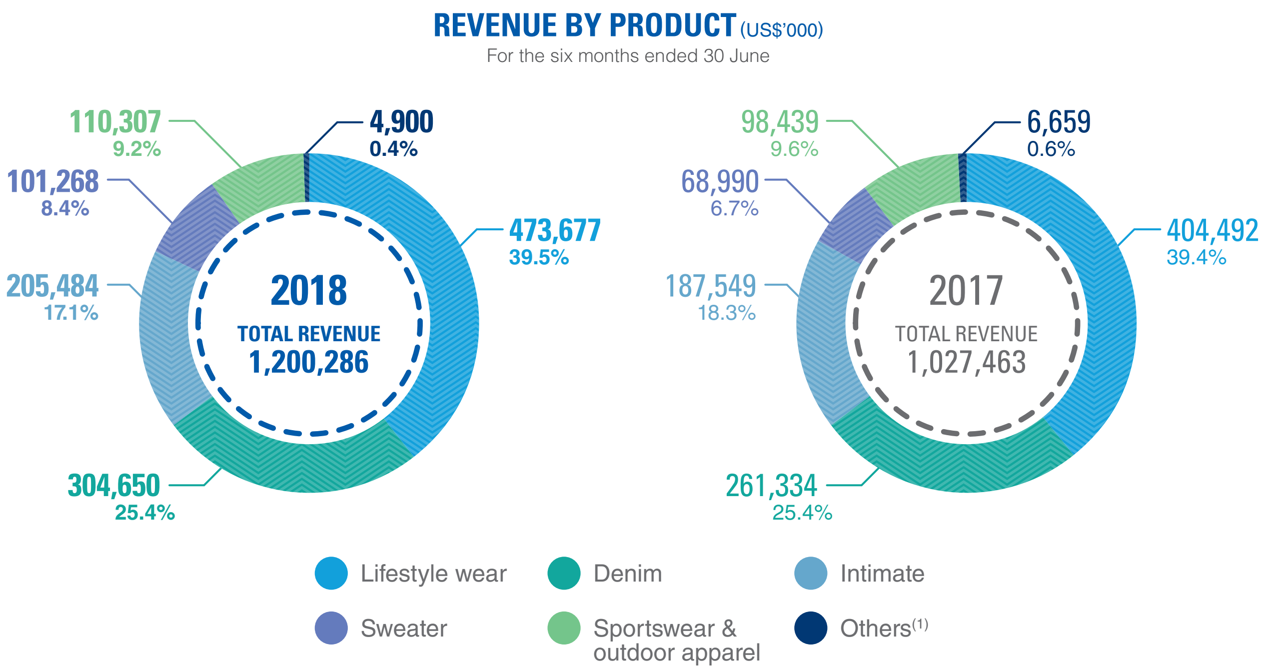
The Group is continuing to expand its production capacity in an orderly manner and in accordance with its projections of capital expenditure. When new facilities are opened and production commences a period of time is taken to reach acceptable levels of efficient production and effective use of capacity. The capital expenditure for 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 on net profit margin.

FINANCIAL REVIEW

Revenue

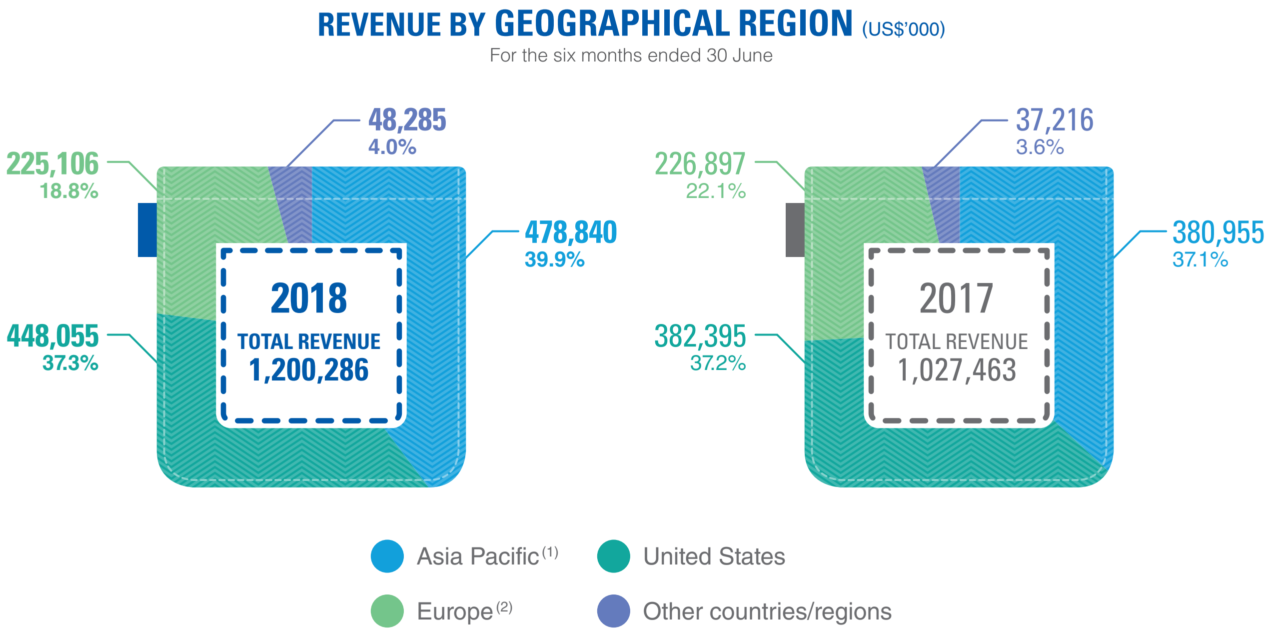
All five segments have experienced growth in revenue compared to the first half of 2017 with Lifestyle wear, Denim and Sweater achieving significant amounts of increase in dollar terms.



(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 division 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 below.

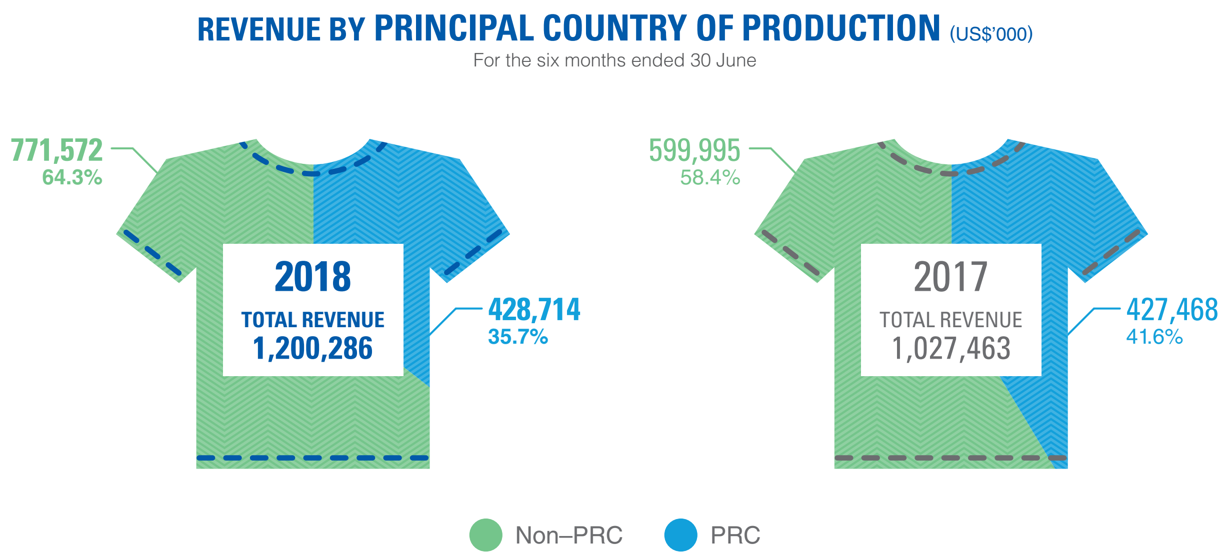


(1) Asia Pacific primarily includes Japan, the PRC, Hong Kong and South Korea.

(2) Europe primarily includes the United Kingdom (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.



The analysis 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 US$'000	**Gross Profit Margin %**	Gross Profit US$'000	Gross Profit Margin %
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 pleased 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 the 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$413 million at 31 December 2017. Cash and cash equivalents were mainly denominated in Hong Kong Dollars ("**HK$**") and US$. Bank borrowings, mainly denominated in HK$ and US$, 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. Bank borrowings of US$500 million at 30 June 2018 contained a repayable on demand clause, of which US$255 million to be repayable within one year, US$173 million to be repayable more than one year but not more than two years and US$72 million to be repayable more than two years but not more than five years.

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 was 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 Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 3 November 2017 (the "**Listing Date**") 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 to 30 June 2018, US$233 million (HK$1,822 million) has been applied: US$88 million (HK$690 million) to expand manufacturing capacity, US$122 million (HK$952 million) to repay Vista related loans, US$23 million (HK$180 million) to use as working capital. 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 (the "**Directors**") intend to utilise such net proceeds in the manner disclosed in prospectus.

Pledge of Assets

At 30 June 2018, pledge of assets of the Group are set out in note 19 to the unaudited condensed consolidated financial statements.

Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For the six months ended 30 June 2018, the Group has no material acquisitions and disposals of subsidiaries, associates and joint ventures.

Significant Investments Held

For the six months ended 30 June 2018, the Group has no significant investments held.

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 interim report, 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 challenging in the remainder of 2018. The on-going trade tension between the USA and the PRC, capacity shortage due to the lack of skilled labour 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 that 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 meet the growing demand from our customers and at the same time sustain our business growth in the long term.

OTHER INFORMATION

COMMUNICATION WITH SHAREHOLDERS

The Company's 2018 Annual General Meeting (the "**AGM**") was held on 15 June 2018. All resolutions at the 2018 AGM were passed by way of a poll and the poll results were posted on the websites of the Stock Exchange and the Company on the same day.

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.

BOARD OF DIRECTORS

At 30 June 2018, the composition of the Board is:

Executive Directors

Mr. LO Lok Fung Kenneth *(Chairman)* ("**Mr. Lo**")
Mrs. LO CHOY Yuk Ching Yvonne *(Vice Chairman)* ("**Mrs. Lo**")
Mr. LO Ching Leung Andrew *(Chief Executive Officer)* ("**Mr. Andrew Lo**")
Mr. WONG Chi Fai ("**Mr. Frankie Wong**")
Mr. WONG Sing Wah ("**Mr. Dennis Wong**")

Independent Non-executive Directors

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

There has been no change in the Board composition up to the date of this interim report.

Change in Director's Biographical Details under Rule 13.51(B) of the Listing Rules

There is no change in Director's biographical details which is required to be disclosed pursuant to rule 13.51B(1) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") since the publication of annual report of the Company dated 15 March 2018 ("**2017 Annual Report**").

BOARD COMMITTEES

At 30 June 2018, the composition of the board committees remains the same as that set out in the 2017 Annual Report.

SENIOR MANAGEMENT

At 30 June 2018, the composition of the senior management of the Company remains the same as that set out in the 2017 Annual Report.

CONTINUING PROFESSIONAL DEVELOPMENT

To assist the Directors and the executives in continuing their professional development, materials on the subject of corporate governance, including the Company's master policies, are provided to the Directors and the executives from time to time to keep them abreast of latest developments.

SHARE AWARD SCHEMES

The Company's share award scheme ("**Share Award Scheme A**") adopted in December 2016 remains the same as set out in the 2017 Annual Report.

The Company's further share award scheme ("**Share Award Scheme B**") adopted in April 2017 is valid and effective for a period of ten years, commencing from the date of the first grant of shares under this scheme. Details of this share award scheme are set out in the Group's consolidated financial statements for the year ended 31 December 2017.

For the movements of the share awards, please refer to note 17 to the unaudited condensed consolidated financial statements for the six months ended 30 June 2018.

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

At 30 June 2018, 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 Securities and Futures Ordinance ("**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 for Securities Transactions by directors of Listed Companies (the "**Model Code**")), to be notified to the Company and the Stock Exchange, were as follows:

(a) Interests in the Company

Name of Director	Nature of Interest	Number of shares [1]	Approximate percentage of shareholding in the Company (%)
Mr. Lo [2]	Interest in controlled corporation	2,282,273,280	80.00%
	Interest of spouse	760,000	0.03%
Mrs. Lo [3]	Interest in controlled corporation	2,282,273,280	80.00%
	Founder of a discretionary trust who can influence the trustee	760,000	0.03%
Mr. Andrew Lo [4]	Beneficial Owner	8,074,080	0.28%
Mr. Dennis Wong [4]	Beneficial Owner	7,497,360	0.26%
Mr. Frankie Wong [4]	Beneficial Owner	4,806,000	0.17%

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

(a) Interests in the Company (Continued)

Notes:

(1) All positions are long positions.

(2) Mr. Lo holds 50% of the shares of Crystal Group Limited ("CGL"), which in turn holds 2,282,273,280 shares of the Company. Accordingly, Mr. Lo is deemed to be interested in the 2,282,273,280 shares held by CGL. Under the SFO, Mr. Lo, as the spouse of Mrs. Lo, is deemed to be interested in the same number of shares in which Mrs. Lo is interested.

(3) Mrs. Lo holds 50% of the shares of CGL, which in turn holds 2,282,273,280 shares of the Company. Accordingly, Mrs. Lo is deemed to be interested in the 2,282,273,280 shares held by CGL. Under the SFO, Mrs. Lo, as the spouse of Mr. Lo, is deemed to be interested in the same number of shares in which Mr. Lo is interested. Mrs. Lo and her spouse Mr. Lo were interested in a total of 760,000 shares held by The Incorporated Trustees of Yuk Ching Charity Trust of which Mrs. Lo is a founder and chairman.

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

(b) Interests in Associated Corporations of the Company

Name of Director	Name of associated corporation	Nature of Interest	Number of shares held	Percentage of the issued share capital (%)
Mr. Lo	Crystal Group Limited	Beneficial owner Interest of spouse	12,000	100%
Mrs. Lo	Crystal Group Limited	Beneficial owner Interest of spouse	12,000	100%
Mr. Lo	Crystal Group (Hong Kong) Limited	Interest in controlled corporation Interest of spouse	2	100%
Mrs. Lo	Crystal Group (Hong Kong) Limited	Interest in controlled corporation Interest of spouse	2	100%
Mr. Lo	Crystal Holdings Limited	Interest in controlled corporation Interest of spouse	2	100%
Mrs. Lo	Crystal Holdings Limited	Interest in controlled corporation Interest of spouse	2	100%
Mr. Lo	Sinotex (Mauritius) Limited	Interest in controlled corporation Interest of spouse	5,000,000	100%
Mrs. Lo	Sinotex (Mauritius) Limited	Interest in controlled corporation Interest of spouse	5,000,000	100%
Mr. Lo	Jumbo Win Investment Limited	Interest in controlled corporation Interest of spouse	1	100%
Mrs. Lo	Jumbo Win Investment Limited	Interest in controlled corporation Interest of spouse	1	100%

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

(b) Interests in Associated Corporations of the Company (Continued)

Name of Director	Name of associated corporation	Nature of Interest	Number of shares held	Percentage of the issued share capital (%)
Mr. Lo	Billion Plus Enterprises Limited	Interest in controlled corporation Interest of spouse	1	100%
Mrs. Lo	Billion Plus Enterprises Limited	Interest in controlled corporation Interest of spouse	1	100%
Mr. Lo	Sinotex Corporation Limited	Interest in controlled corporation Interest of spouse	1	100%
Mrs. Lo	Sinotex Corporation Limited	Interest in controlled corporation Interest of spouse	1	100%
Mr. Lo	Sinotex Exports Limited	Interest in controlled corporation Interest of spouse	12,000	100%
Mrs. Lo	Sinotex Exports Limited	Interest in controlled corporation Interest of spouse	12,000	100%
Mr. Lo	Fashion Fit Limited	Interest in controlled corporation Interest of spouse	1	100%
Mrs. Lo	Fashion Fit Limited	Interest in controlled corporation Interest of spouse	1	100%
Mr. Lo	Masterknit Limited	Interest in controlled corporation Interest of spouse	1,200,000	60%
Mrs. Lo	Masterknit Limited	Interest in controlled corporation Interest of spouse	1,200,000	60%

Save as disclosed above, at 30 June 2018, 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 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 30 June 2018, the following persons (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, were as follows:

Name	Nature of Interest	Number of shares [1]	Approximate percentage of shareholding in the Company (%)
Crystal Group Limited ("**CGL**")[2]	Beneficial owner	2,282,273,280	80.00%

Notes:

(1) All positions are long positions.

(2) CGL is beneficially and wholly-owned by Mr. Lo and Mrs. Lo (each of them individually holding 50% of CGL's shares). By virtue of the SFO, Mr. Lo and Mrs. Lo are both deemed to be interested in the shares held by CGL.

Save as disclosed above, at 30 June 2018, 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 interim report, 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 report.

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 the 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 report.

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 report.

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 reported and to be adjusted 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 report 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 involving 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.

By order of the Board
Lo Lok Fung Kenneth
Chairman

Hong Kong, 16 August 2018

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Crystal International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 44, which comprise the condensed consolidated statement of financial position at 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 US$'000 (unaudited)	2017 US$'000 (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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Note	Six months ended 30 June	
		2018	2017
		US$'000	US$'000
		(unaudited)	(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

	Notes	At 30 June 2018 US$'000 (unaudited)	At 31 December 2017 US$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	**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	9	**402,686**	337,597
Amount due from an associate	14	**–**	525
Amounts due from related companies	15	**1,202**	1,228
Loan receivables		**696**	696
Short-term bank deposit	10	**36,374**	–
Bank balances and cash		**316,811**	416,721
		1,056,977	1,007,018
Total assets		**1,902,142**	1,821,725

At 30 June 2018

	Notes	At 30 June 2018 US$'000 (unaudited)	At 31 December 2017 US$'000 (audited)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	16	**3,654**	3,654
Reserves		**930,361**	907,114
Total equity		**934,015**	910,768
Non-current liabilities			
Other payables	11	**6,579**	8,933
Deferred taxation		**31,489**	31,254
Defined benefit liabilities		**–**	265
Derivative financial instruments	12	**2,478**	–
Bank borrowings	13	**–**	23,000
		40,546	63,452
Current liabilities			
Trade, bills and other payables	11	**351,757**	321,004
Amount due to an associate	14	**3,887**	–
Derivative financial instruments	12	**2,415**	–
Dividend payable		**44,582**	–
Tax liabilities		**24,570**	19,177
Bank borrowings	13	**500,370**	507,324
		927,581	847,505
Total equity and liabilities		**1,902,142**	1,821,725

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	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$'000	Share award reserve US$'000	Other reserve US$'000	Retained profits US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total US$'000
At 1 January 2018 (audited)	**3,654**	**499,808**	**63,096**	**(50,270)**	**9,903**	**773**	**(5,262)**	**389,066**	**910,768**	**–**	**910,768**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**70,503**	**70,503**	**–**	**70,503**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**(7,514)**	**–**	**–**	**–**	**–**	**(7,514)**	**–**	**(7,514)**
Remeasurement of defined benefit liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(59)**	**(59)**	**–**	**(59)**
Deferred tax expense arising on defined benefit liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(59)**	**(59)**	**–**	**(59)**
Surplus on revaluation of properties	**–**	**–**	**3,510**	**–**	**–**	**–**	**–**	**–**	**3,510**	**–**	**3,510**
Deferred tax expense arising on revaluation of properties	**–**	**–**	**(797)**	**–**	**–**	**–**	**–**	**–**	**(797)**	**–**	**(797)**
Total comprehensive income (expense) for the period	**–**	**–**	**2,713**	**(7,514)**	**–**	**–**	**–**	**70,385**	**65,584**	**–**	**65,584**
Dividend recognised as distribution (Note 6)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(44,582)**	**(44,582)**	**–**	**(44,582)**
Recognition of equity-settled share-based payment expense	**–**	**–**	**–**	**–**	**–**	**2,245**	**–**	**–**	**2,245**	**–**	**2,245**
At 30 June 2018 (unaudited)	**3,654**	**499,808**	**65,809**	**(57,784)**	**9,903**	**3,018**	**(5,262)**	**414,869**	**934,015**	**–**	**934,015**
For the six months ended 30 June 2017 (audited)											
At 1 January 2017	12	–	56,130	(64,340)	9,903	–	–	303,853	305,558	2,671	308,229
Profit for the period	–	–	–	–	–	–	–	69,142	69,142	88	69,230
Exchange difference arising on translation of foreign operations	–	–	–	3,146	–	–	–	–	3,146	–	3,146
Remeasurement of defined benefit liabilities	–	–	–	–	–	–	–	2,868	2,868	–	2,868
Deferred tax expense arising on defined benefit liabilities	–	–	–	–	–	–	–	(552)	(552)	–	(552)
Surplus on revaluation of properties	–	–	4,210	–	–	–	–	–	4,210	–	4,210
Deferred tax expense arising on revaluation of properties	–	–	(827)	–	–	–	–	–	(827)	–	(827)
Total comprehensive income for the period	–	–	3,383	3,146	–	–	–	71,458	77,987	88	78,075
Dividend paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	(921)	(921)
Acquisition of non-controlling interests of subsidiaries	–	–	–	–	–	–	(5,262)	–	(5,262)	(1,838)	(7,100)
Dividend recognised as distribution (Note 6)	–	–	–	–	–	–	–	(64,512)	(64,512)	–	(64,512)
At 30 June 2017	12	–	59,513	(61,194)	9,903	–	(5,262)	310,799	313,771	–	313,771

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	US$'000	US$'000
	(unaudited)	(audited)
NET CASH FROM OPERATING ACTIVITIES	**41,351**	22,546
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(57,254)**	(44,790)
Deposits paid for acquisition of property, plant and equipment	**(12,384)**	(15,860)
New short-term bank deposit placed	**(36,438)**	–
Interest received	**1,864**	140
Proceeds on disposal of property, plant and equipment	**587**	948
Loan receivables received	**548**	442
Purchase of prepaid lease payments	**–**	(1,869)
NET CASH USED IN INVESTING ACTIVITIES	**(103,077)**	(60,989)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(251,014)**	(152,110)
Interest paid	**(8,394)**	(6,557)
New bank borrowings raised	**222,783**	355,819
Repayment to ultimate holding company	**–**	(143,633)
Dividend paid	**–**	(64,512)
Acquisition of non-controlling interests of subsidiaries	**–**	(7,100)
Dividend paid to non-controlling interests of subsidiaries	**–**	(921)
Repayment to related companies	**–**	(152)
Advance from ultimate holding company	**–**	25,001
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(36,625)**	5,835
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(98,351)**	(32,608)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(1,431)**	(2,454)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**412,696**	144,101
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**312,914**	109,039
Represented by		
Bank balances and cash	**316,811**	111,487
Bank overdrafts	**(3,897)**	(2,448)
	312,914	109,039

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.

The condensed 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 activities of its principal subsidiaries and associate are manufacturing and trading of garments.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of new and amendments to IFRSs

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

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which result in changes in accounting policies, amounts reported and/or disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application of IFRS 15 "Revenue from Contracts with Customers"

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from manufacturing and trading of garments.

IFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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

The Group has performed an assessment on the impact of the adoption of IFRS 15 and concluded that there is no material financial impact on the timing and amounts of revenue recognised in prior and current periods.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application of IFRS 9 "Financial Instruments"

In the current period, the Group has applied IFRS 9 "Financial Instruments" and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised at 1 January 2018. The difference between carrying amounts at 31 December 2017 and the carrying amounts at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 "Financial Instruments: Recognition and Measurement".

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application of IFRS 9 "Financial Instruments" (Continued)

Classification and measurement of financial assets (Continued)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset; and

- the contractual terms of the financial asset 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").

The directors of the Company reviewed and assessed the Group's financial assets at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the Group's financial assets are to continue to be measured at amortised cost upon adoption of IFRS 9, which is the same as the method of measurement used under IAS 39.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, loan receivables, amounts due from an associate/related companies, short-term bank deposit and bank balances and cash). 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-months' 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 are 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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application of IFRS 9 "Financial Instruments" (Continued)

Impairment under ECL model (Continued)

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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application of IFRS 9 "Financial Instruments" (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument 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 debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' in accordance with globally understood definitions.

The Group considers that default has occurred when the instrument 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.

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 adjusted by forward-looking information.

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 all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application of IFRS 9 "Financial Instruments" (Continued)

Impairment under ECL mode (Continued)

Measurement and recognition of ECL (Continued)

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

At 1 January 2018, the directors of the Company have reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 and have concluded that no material financial impact exists, and therefore no adjustment to the opening retained profits at 1 January 2018 has been recognised.

Classification and measurement of financial liabilities

For financial liabilities that are designated at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income ("OCI"), unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

At 1 January 2018, the directors of the Company have reviewed and assessed the Group's existing financial liabilities in accordance with the requirements of IFRS 9 and have concluded that no material impact exists.

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

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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 US$'000 (unaudited)	2017 US$'000 (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
Interest income	**(1,864)**	(140)
Net foreign exchange loss	**5,740**	870
Listing expenses	**–**	2,169
Finance costs:		
— imputed interest of consideration payable on acquisition of subsidiaries	**–**	1,208
— interest on bank borrowings	**8,394**	6,557

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 June 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

	'000	'000
Number of shares:		
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 as set out in note 17.

(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. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group incurred total expenditures of approximately US$64,996,000 (unaudited) (six months ended 30 June 2017: US$49,840,000 (audited)) on the acquisition of property, plant and equipment.

The Group's leasehold land and buildings classified as property, plant and equipment were revalued by the directors of the Company at the end of the current interim period. The resulting revaluation surplus of US$3,510,000 has been credited to the property revaluation reserve during the six months ended 30 June 2018 (six months ended 30 June 2017: US$4,210,000).

9. 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 Group allows credit periods ranging from 15 to 120 days to its trade customers. 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 to 90 days	**13,206**	19,030
91 to 120 days	**2,089**	2,070
Over 120 days	**212**	1,357
	330,232	285,845

10. SHORT-TERM BANK DEPOSIT

The short-term bank deposit carried interest at the fixed rate of 3.35% per annum (31 December 2017: nil).

The short-term bank deposit is a deposit placed with a bank that has more than three months to maturity when deposited. The short-term bank deposit will mature within 12 months from the end of the reporting period and is therefore classified as a current asset.

11. 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 credit period of trade payables is from 14 to 60 days. 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 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

12. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Foreign currency exchange contracts

	At 30 June 2018 US$'000 (unaudited)	At 31 December 2017 US$'000 (audited)
Derivative financial liabilities		
— Foreign currency exchange contracts		
— current	**2,415**	–
— non-current	**2,478**	–
	4,893	–

The major components of the foreign currency exchange contracts at 30 June 2018 are as follows:

Notional amount	Currency conversion
6 contracts to sell US$60,000,000 in total (note i)	US$1:RMB6.4213 — RMB6.4442
6 contracts to sell US$60,000,000 in total (note ii)	US$1:RMB6.4498 — RMB6.4750

Notes:

(i) The contracts will mature within 1 year at the end of the reporting period.

(ii) The contracts will mature more than 1 year after the end of the reporting period.

During the six months ended 30 June 2018, fair value losses of foreign currency exchange contracts approximately US$4,901,000 (six months ended 30 June 2017: nil) were recognised directly in profit or loss.

(b) Call and put options on investment in a subsidiary

Pursuant to a joint venture agreement dated 3 March 2010 made between SL Global Pte. Ltd. ("SLG"), a wholly owned subsidiary of the Group, and other non-controlling shareholders of Texwell Global Pte Ltd ("TWG"), a non-wholly owned subsidiary of SLG, SLG was granted a call option at nil consideration, giving SLG the right to acquire the remaining 49% equity interest in TWG at a pre-determined consideration at any time on and from 30 June 2011.

The other non-controlling shareholders of TWG were granted a put option at nil consideration to dispose of their equity interests in TWG to SLG at a pre-determined consideration on and from 30 June 2015.

On 2 March 2017, SLG entered into a share purchase agreement to acquire the remaining 49% equity interest in TWG. Pursuant to the share purchase agreement, SLG and the non-controlling shareholders of TWG agreed to terminate the joint venture agreement, including the call and put options. The derivative financial asset of US$1,648,000 was derecognised and charged to profit or loss during the six months ended 30 June 2017.

13. BANK BORROWINGS

During the six months ended 30 June 2018, the Group obtained new bank borrowings of US$222,783,000 (unaudited) (six months ended 30 June 2017: US$335,819,000 (audited)) and repaid bank borrowings of US$251,014,000 (unaudited) (six months ended 30 June 2017: US$152,110,000 (audited)). The bank borrowings of the Group carried interest at market rates ranging from 3.46% to 5.25% (unaudited) per annum (31 December 2017: 2.64% to 5.25% (audited) per annum).

14. AMOUNT DUE FROM (TO) AN ASSOCIATE

The amount due from an associate was trade in nature, unsecured, interest-free and was fully repaid during the six months ended 30 June 2018.

The amount due to an associate is trade in nature, unsecured, interest-free and repayable on demand.

15. AMOUNTS DUE FROM RELATED COMPANIES

	At 30 June 2018 US$'000 (unaudited)	At 31 December 2017 US$'000 (audited)
Amounts due from related companies (note i)		
Fellow subsidiaries	**987**	1,011
Companies controlled by certain directors of the Company (note ii)	**215**	217
	1,202	1,228

Notes:

(i) Included in the amounts due from related companies, US$682,000 (31 December 2017: US$705,000) are trade in nature, unsecured, interest-free and repayable on demand. The maximum balances during the six months ended 30 June 2018 are US$1,667,000 (year ended 31 December 2017: US$705,000). The remaining US$520,000 (31 December 2017: US$523,000) are non-trade in nature, unsecured, interest-free and repayable on demand.

(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.

16. SHARE CAPITAL

	At 30 June 2018 US$'000 (unaudited)	At 31 December 2017 US$'000 (audited)
Issued and fully paid:		
2,852,822,000 Ordinary shares of HK$0.01 each	**3,654**	3,654

17. SHARE-BASED PAYMENT TRANSACTIONS

Share Award Scheme B

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

Details of the Share Award Scheme B were disclosed in the Group's consolidated financial statements for the year ended 31 December 2017.

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

	Outstanding at 1.1.2018	**Lapsed during the period** (Note)	**Outstanding at 30.6.2018**
Second tranche	4,154,000	(84,000)	4,070,000
Third tranche	4,154,000	(84,000)	4,070,000
	8,308,000	(168,000)	8,140,000

Note: 8 eligible participants (six months ended 30 June 2017: nil), who have been granted share awards have ceased to become eligible participants upon termination of employment and the said share awards have automatically lapsed.

The Group recognised the total expense of US$2,245,000 (six months ended 30 June 2017: nil) for the six months ended 30 June 2018 in relation to the share awards under Share Award Scheme B granted by the Company.

18. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had capital commitments as follows:

	At 30 June 2018 US$'000 (unaudited)	At 31 December 2017 US$'000 (audited)
Contracted for but not provided for in the condensed consolidated financial statements in relation to the acquisition of property, plant and equipment	**31,748**	52,467

19. PLEDGE OF ASSETS

At the end of the reporting period, the Group had the following assets pledged to banks as security for general banking facilities granted to the Group:

	At 30 June 2018 US$'000 (unaudited)	At 31 December 2017 US$'000 (audited)
Property, plant and equipment	**10,799**	12,835
Inventories	**13,418**	8,100
Trade receivables	**23,195**	31,781
	47,412	52,716

20. RELATED PARTY TRANSACTIONS

(i) Related party transactions

During the period, the Group entered into transactions with the following related parties:

Relationship	Nature of transaction	Six months ended 30 June 2018 US$'000 (unaudited)	2017 US$'000 (audited)
Fellow subsidiaries	Rentals paid	**915**	923
	Management service income	**128**	–
	Subcontracting income	**925**	–
	Equipment leasing expenses	**250**	–
An associate	Purchase of materials	**11,181**	5,825
Companies controlled by certain directors of the Company (note)	Rentals paid	**647**	555
	Handling fee received	**15**	20

Note: 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) Emoluments of key management personnel

The emoluments of directors, who are also the key management personnel, during the period were as follows:

	Six months ended 30 June 2018 US$'000 (unaudited)	2017 US$'000 (audited)
Short-term benefits	**1,876**	1,700
Post-employment benefits	**49**	46
	1,925	1,746

The emoluments of directors are recommended to the Board of Directors by the remuneration committee having regard to the performance of each individual and comparable market statistics.

20. RELATED PARTY TRANSACTIONS (Continued)

(iii) Related party balances

The Group's outstanding balances with related parties at 30 June 2018 and 31 December 2017 are set out in aggregate in the condensed consolidated statement of financial position and the corresponding notes thereto.

(iv) Commitments with a fellow subsidiary and related parties

Certain subsidiaries of the Company entered into several non-cancellable operating lease arrangements as lessees with a fellow subsidiary and companies controlled by certain directors of the Company with lease terms ranging from one to three years. The total amount of rental expenses for the period is included in note 20(i).

(v) License agreement entered into with the ultimate holding company

The Group has entered into a license agreement on 20 March 2017 with the ultimate holding company (the "License Agreement"), pursuant to which the ultimate holding company has agreed to grant to the Group a license to use certain trademarks and domain names in connection with the business and operations in various territories for three years commencing 1 January 2017 and, where applicable, to use and/or to refer to the trademark used on the front and back covers of the prospectus issued by the Company. The Group paid to the ultimate holding company the sum of HK$1.00 as consideration.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial instruments 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 instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value at		Fair value	
	30.6.2018	31.12.2017	**hierarchy**	**Valuation techniques and key inputs**
	US$'000	US$'000		
Financial Liabilities				
Foreign currency exchange contracts (note 12)	**4,893**	–	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

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 financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.