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

(Incorporated in Bermuda with limited liability and registered by way of continuation in the Cayman Islands)
(於百慕達註冊成立的有限公司並以存續方式於開曼群島註冊)
Stock code 股份代號：2232

INTERIM REPORT 2019
中期報告

* For identification purposes only 僅供識別

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

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. CHANG George Ka Ki
Mr. TSE Man Bun Benny

Remuneration Committee

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

Nomination Committee

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

Corporate Development Committee

Mr. LO Ching Leung Andrew *(Chairman)*
Mr. WONG Chi Fai
Mr. WONG Sing Wah
Mr. CHANG George Ka Ki
Mr. MAK Wing Sum Alvin
Mr. LI Wai Kwan

AUTHORIZED REPRESENTATIVES

Mr. LO Ching Leung Andrew
Mr. LI Wai Kwan

COMPANY SECRETARY

Mr. LI Wai Kwan

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

COMPANY WEBSITE

www.crystalgroup.com

INVESTOR RELATIONS

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STOCK CODE

2232

Financial Highlights

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

	Six months ended 30 June 2019 (unaudited)	Six months ended 30 June 2018 (unaudited)
Key Financial Information (US$'000)		
Revenue	**1,143,473**	1,200,286
Cost of sales	**930,353**	972,040
Gross profit	**213,120**	228,246
Profit for the period	**60,068**	70,503
Earnings per share (US cents)		
– basic	**2.11**	2.48
– diluted	**2.11**	2.47
Key Financial Ratios		
Gross profit margin (%)	**18.6%**	19.0%
Net profit margin (%)	**5.3%**	5.9%

	At 30 June 2019 (unaudited)	At 31 December 2018 (audited)
Key Financial Information (US$'000)		
Total assets	**1,867,810**	1,839,952
Total liabilities	**853,852**	853,513
Total equity	**1,013,958**	986,439
Net debt (note a)	**158,655**	132,086
Cash and cash equivalents	**232,825**	299,891
Key Financial Ratios		
Net debt to equity ratio (%) (note b)	**15.6%**	13.4%
Cash conversion cycle (days) (note c)	**70**	60

Notes:

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

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

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

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 2019.

MARKET OVERVIEW

The intensifying trade tensions and commercial disputes between the United States of America (the "**USA**") and the People's Republic of China (the "**PRC**") continue to cast a shadow over the Group's operations. While the Group has witnessed this phenomenon since the second half of 2018, 2019 is proving to be another year of significant uncertainty regarding trade relations between these two countries. Whilst trade disputes continue between the USA and the PRC, Vietnam, on the other hand, benefits from its membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, which came into effect in January 2019. Added to this, Vietnam signed a free trade agreement with the European Union on 30 June 2019, which has opened the door towards the elimination of nearly all tariffs, over the next decade, on products traded between the two entities. These agreements are believed to benefit exports from Vietnam, and will boost the local economy, as well as the development of the manufacturing industry in the region.

BUSINESS REVIEW

Reallocation Program – A Transitional Year in 2019

During the six months ended 30 June 2019, with the growing uncertainties arising from the trade tensions mentioned above, customers increased their demands for the Group's production to be from non-PRC production bases. To actively manage the situation, the Group has recently concluded a review of its multi-country manufacturing platform and has decided to increase the pace of the program of reallocation of capacity from the PRC to non-PRC production bases (the "**Reallocation Program**"). Under the Reallocation Program, in addition to accelerating the Group's original plan to increase its production capacity in its non-PRC production bases, particularly in Vietnam, the Group also decided to right-size its base in the PRC. As such, the Group has reduced its production capacity in the PRC. While the Group believes such reallocation should bring cost benefits to the Group in the longer term, it is inevitably impacting adversely the Group's revenue and profitability in the short term.

As a result of the reduced capacity in the PRC under the Reallocation Program, the Group's revenue for the six months ended 30 June 2019, declined to US$1,143 million (six months ended 30 June 2018: US$1,200 million). Gross profit margin was 18.6% (six months ended 30 June 2018: 19.0%), showing the slightly negative impact of the anticipated ramp-up costs at our new production facilities, resulting from the accelerated pace of expansion in the non-PRC new facilities under the Reallocation Program.

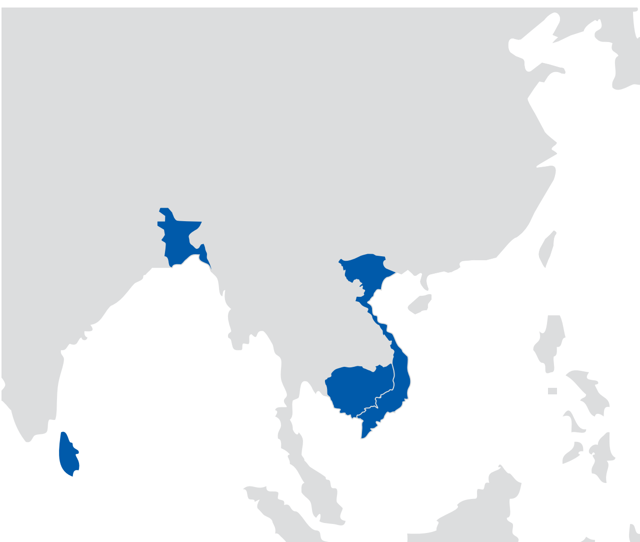
Net profit for the six months ended 30 June 2019 was US$60 million, representing a net margin of 5.3%. As previously disclosed in the voluntary announcement made by the Company on 12 June 2019, the net profit included one-off costs of approximately US$14 million in relation to the Reallocation Program. Excluding such one-off costs, the net profit for the six months ended 30 June 2019 was approximately US$74 million (six months ended 30 June 2018: US$71 million), representing a net margin of 6.5% (six months ended 30 June 2018: 5.9%).

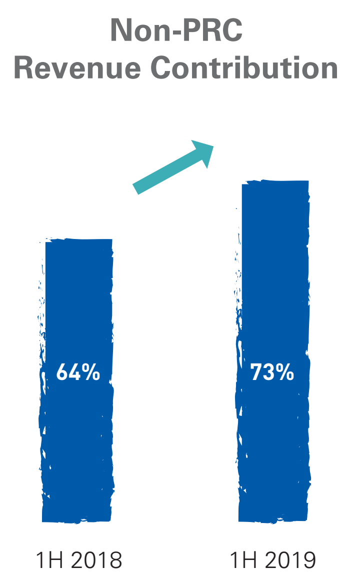
The Board recognises the support of the shareholders, and has resolved to declare an interim dividend of HK4 cents per ordinary share (six months ended 30 June 2018: HK4 cents), representing a distribution of 24% of the Group's net profit for the six months ended 30 June 2019 (six months ended 30 June 2018: 21%).

Multi-country Manufacturing Platform

As a result of the Reallocation Program, revenue contribution from the Group's PRC production base, shipping to the United States market (the "**US market**"), has decreased from 14% for the year ended 2018 to 9% for the six months ended 30 June 2019.

The Group's multi-country manufacturing platform spans five countries, namely Vietnam, the PRC, Cambodia, Bangladesh and Sri Lanka. For the six months ended 30 June 2019, the Group has 73% of its production capacity located outside the PRC, in terms of revenue contribution (six months ended 30 June 2018: 64%). Since venturing into Vietnam in 2003, the Group has become one of the largest producers of apparel, in terms of export volume, in Vietnam. At present, Vietnam continues to be the largest production base for the Group.





FINANCIAL REVIEW

Revenue

In view of intensified trade tensions between the USA and the PRC, the Group is implementing the Reallocation Program mentioned above. Consequently, our revenue declined slightly in the first half of 2019.

The following table gives the Group's revenue for the six months ended 30 June 2019 compared to the same period in 2018, by product category, each expressed as an absolute amount and as a percentage of total revenue.

	For the six months ended 30 June			
	2019		2018	
	US$'000	**%**	US$'000	%
Lifestyle wear	**484,956**	**42.4%**	473,677	39.5%
Denim	**280,446**	**24.6%**	304,650	25.4%
Intimate	**208,044**	**18.2%**	205,484	17.1%
Sportswear and outdoor apparel	**105,466**	**9.2%**	110,307	9.2%
Sweater	**60,919**	**5.3%**	101,268	8.4%
Others (note)	**3,642**	**0.3%**	4,900	0.4%
Total Revenue	**1,143,473**	**100.0%**	1,200,286	100.0%

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

The revenue growth for Lifestyle wear was driven by an increase in demand by our key customers. The decrease in revenue for Denim results directly from the adverse impact of the intensifying trade tensions between the USA and the PRC. Revenue for Intimate remained flat due to sluggish consumer demand. The revenue decline in Sportswear and outdoor apparel stemmed from our strategy to reduce non-core customers. The decreased revenue for Sweater was due to the revision of our production capacity to make it more efficient.

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

	For the six months ended 30 June			
	2019		2018	
	US$'000	**%**	US$'000	%
Asia Pacific (note a)	**429,521**	**37.6%**	478,840	39.9%
United States	**429,220**	**37.5%**	448,055	37.3%
Europe (note b)	**228,729**	**20.0%**	225,106	18.8%
Other countries/regions	**56,003**	**4.9%**	48,285	4.0%
Total	**1,143,473**	**100.0%**	1,200,286	100.0%

Notes:

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

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

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

	For the six months ended 30 June			
	2019		2018	
	US$'000	**%**	US$'000	%
Non-PRC	**833,662**	**72.9%**	771,572	64.3%
PRC	**309,811**	**27.1%**	428,714	35.7%
Total	**1,143,473**	**100.0%**	1,200,286	100.0%

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

Cost of Sales, Gross Profit and Gross Profit Margin

	For the six months ended 30 June			
	2019		2018	
	Gross Profit US$'000	**Gross Profit Margin %**	Gross Profit US$'000	Gross Profit Margin %
Lifestyle wear	**95,348**	**19.7%**	91,774	19.4%
Denim	**45,679**	**16.3%**	52,272	17.2%
Intimate	**40,929**	**19.7%**	43,309	21.1%
Sportswear and outdoor apparel	**19,037**	**18.1%**	19,501	17.7%
Sweater	**9,081**	**14.9%**	17,136	16.9%
Others	**3,046**	**83.6%**	4,254	86.8%
Total Gross Profit	**213,120**	**18.6%**	228,246	19.0%

For Lifestyle wear, the gross profit margin remained relatively stable at 19.7% compared with 19.4% in first half of 2018.

The decline in gross profit margin for Denim and Intimate arose from the reallocation of production from existing mature production bases in the PRC to newly established production units outside the PRC.

The gross profit margin of Sportswear and outdoor apparel increased due to our strategy to reduce non-core customers.

For Sweater, the decrease in gross profit margin resulted from our revision of our production capacity.

Other Expenses and Finance Costs

Selling and distribution expenses have been tightly controlled during the first half of the year and amounted to 1.3% of revenue compared to 1.7% in the first half of 2018.

Our administrative and other expenses for the period include one-off costs of US$14 million incurred to reduce production capacity in the PRC. We have been successful in reducing our regularly recurring administrative costs during the period. Excluding the one-off costs, administrative expenses for the period equate to 9.9% of revenue compared to 10.4% for the same period in 2018.

The effective borrowing rate for the Group in the six months ended 30 June 2019 ranged from 2.30% to 5.13% compared to 2.03% to 5.00% for the same period in 2018. Finance costs amounted to 0.8% of revenue in the half year and were comparable to 0.7% in the first half of 2018.

Net Profit

As a result of the challenging business environment and the adverse cost impact of the steps taken that are enumerated above, net profit for the six months ended 30 June 2019, decreased to US$60 million compared with US$71 million for the same period in 2018. Net profit declined as a percentage of revenue from 5.9% in 2018 to 5.3% in 2019, which reflects the effect of the positive steps taken by the Group to contend with the difficult environment that continued to evolve in the first half of this year.

Capital Management

The consolidated financial position of the Group remained sound throughout the first half of 2019. Positive operating cash flow of US$39 million in the six months (US$41 million for the same period in 2018) contributed to cash and cash equivalents of US$233 million at 30 June 2019, compared to US$300 million at 31 December 2018. Cash and cash equivalents were mainly denominated in Hong Kong Dollars ("**HK$**") and US$. Bank borrowings, mainly denominated in HK$ and US$, have been reduced from US$434 million at 31 December 2018 to US$393 million at 30 June 2019. Bank borrowings of US$393 million at 30 June 2019 contained a repayable on demand clause, of which US$297 million to be repayable within one year, US$62 million to be repayable in more than one year but not more than two years, and US$34 million to be repayable in more than two years but not more than five years.

Gearing ratio (total interest-bearing bank borrowings, less bank balances and cash, divided by total equity) at 30 June 2019 was a healthy 15.6% compared to 13.4% at 31 December 2018. The increase in gearing ratio was mainly driven by an increase in working capital needs. Due to seasonal factors, our conversion cycle for the six months ended 30 June 2019, averaged 70 days, compared to 60 days for the whole of 2018. Inventory turnover averaged 58 days in the first half of 2019 compared to 48 days throughout 2018. Turnover of trade and bills receivables averaged 49 days in the first half of 2019, compared with 42 days average turnover throughout 2018. Trade and bills payables turnover averaged 37 days in the first half of 2019 compared to 30 days throughout 2018.

Capital expenditure incurred in the main for the building, equipping and upgrading of production facilities, is carefully managed. For the six months ended 30 June 2019, capital expenditure amounted to US$40 million, of which 9% was incurred in the PRC, compared to US$65 million, of which 12% was incurred in the PRC, for the same period in 2018. Capital commitments at 30 June 2019 were US$53 million compared to US$62 million at 31 December 2018.

Foreign currency exchange contracts are used to manage foreign currency exposure. At 30 June 2019, the notional amount of the outstanding foreign currency exchange contracts in respect of the Renminbi against US$ was US$110 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.

Use of Proceeds from Initial Public Offering

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

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

For the period from 3 November 2017 (the listing date of the Company) to 30 June 2019, US$332 million (HK$2,589 million) has been applied: US$161 million (HK$1,256 million) to expand manufacturing capacity, US$122 million (HK$952 million) to repay Vista related loans and US$49 million (HK$381 million) to use as working capital. At 30 June 2019, unutilised net proceeds were deposited in licensed banks and these will be applied in accordance with the allocation set out in the announcement made by the Company on 13 March 2019. The directors of the Company (the "**Directors**") intend to utilise such net proceeds in the manner disclosed in the announcement made by the Company on 13 March 2019.

Pledge of Assets

At 30 June 2019, pledge of assets of the Group are set out in note 20 to the unaudited condensed consolidated financial statements.

Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

For the six months ended 30 June 2019, the Group has no material acquisitions and disposals of subsidiaries, associates and joint ventures.

Significant Investments Held

For the six months ended 30 June 2019, the Group has no significant investments held.

Contingent Liabilities

At 30 June 2019, the Group had no material contingent liability (31 December 2018: 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 over 80,000 people at 30 June 2019. Total staff costs, including administrative and management staff, in the six months to 30 June 2019 equated to 25.7% of revenue, compared to 25.6% in the same period of 2018. 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

Vision and Strategy

As a leading garment manufacturer, the Group leverages holistic sustainability practices to make a positive impact on our planet and people, create shared values for our stakeholders, and shape the industry through the power of garment manufacturing.

Since the start of our sustainability journey in 2007, we have been adhering to the five pillars of our sustainability framework, as a guiding principle for our operation and development. The five pillars comprise: environment, innovation, product integrity, employee care, and community engagement.

As a strategic direction for our factories, we are advancing collaboratively towards the Third Global 5-year Sustainability Targets (2018-2022), covering both environmental and social indicators.

Environmental Stewardship

Under the framework of the Third Global 5-year Sustainability Targets, we endeavor to improve our performance by reducing our carbon footprint and fresh-water consumption. To this end, our factories continued adopting various environmental measures and advanced processes. In addition, we have been furthering our efforts by expanding our global greenery initiative, having planted over 2.5 million trees since 2007.

By affirming our long-term commitment, we are now conducting a Group-wide study, to develop a holistic roadmap for reducing carbon emissions and to enhance water saving.

To assess environmental performance and drive improvement, all our factories have adopted the Higg Facility Environmental Module[a] developed by the Sustainable Apparel Coalition. In 2019, we devised our Group target, and developed a set of toolkits with practical materials, to drive this performance improvement.

Employee Care and Community Engagement

We are committed to empowering 40,000 female workers through our CARE[b] programme by 2022, which helps them build on their skills, promotes a work-life balance, strengthens their self-respect, increases their sense of belonging and supports self-actualisation. Over 25% of our female workers from our factories joined the programme in 2019.

In addition to the efforts of our employees, the Group has also spread our care to our local communities. To create shared values and strengthen the linkage with these local communities, our employees have been motivated to participate in community engagement activities addressing local needs. Under the Third Global 5-year Sustainability Targets, we are progressing towards our goal of achieving 10,000 volunteering hours.

(a) The Higg Facility Environmental Module is one of the facility tools of the Higg Index that standardises how facilities measure and evaluate their environmental performance.

(b) CARE stands for Crystal Advocates Respect and Engagement, which is a branded programme of the Group. CARE is a structured learning and development programme that aims to develop our workers through a five-steps approach, from achieving effectiveness to embracing breakthroughs.

OUTLOOK AND PROSPECTS

The reduction of the Group's capacity in the PRC, due to the Reallocation Program, is expected to weigh on the growth of the Group's revenue in the remainder of 2019. At the same time, the Group's revenue and profitability may further be impacted adversely by the coming additional tariffs of the USA government on the remaining PRC exports. The Group will continue to adopt active strategies to manage the situation, including further reduction of its PRC production shipping to the US market and working closely with customers on all possible, practical solutions.

It is the Group's strategy to continuously enhance its product mix, while maintaining its diversity in product categories. The Group will focus strategically on the development of its core categories and reduce its non-core category. In the longer term, the Group continues to believe in the potential of the sportswear market and will gradually pursue its plan for upstream vertical integration. At present, the Group has successfully developed a new customer relationship with one of the international sportswear brands.

2019 will remain a challenging, transitional year for the Group. Nonetheless, with the core competence of the Group's unique diversified product category offerings, a multi-country manufacturing platform and its strong focus on corporate sustainability, the Group believes it will continue to benefit from the longer term industry consolidation.

Other Information

COMMUNICATION WITH SHAREHOLDERS

The Company's 2019 Annual General Meeting (the "**AGM**") was held on 5 June 2019. All resolutions at the 2019 AGM were passed by way of a poll and the poll results were posted on the websites of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Company on the same day.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK4 cents (approximately US0.5 cent) per ordinary share for the six months ended 30 June 2019 payable to shareholders whose names appear on the register of members of the Company on 9 September 2019.

The interim dividend is expected to be paid on 19 September 2019.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Thursday, 5 September 2019 to Monday, 9 September 2019 both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar 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, not later than 4:30 p.m. on Wednesday, 4 September 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2019, 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 2019, the composition of the Board is:

Executive Directors

Mr. LO Lok Fung Kenneth *(Chairman)* ("**Mr. Kenneth Lo**")
Mrs. LO CHOY Yuk Ching Yvonne *(Vice Chairman)* ("**Mrs. Yvonne 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.

BOARD OF DIRECTORS (Continued)

Change in Director's Biographical Information

Change in the information of Directors during the six months ended 30 June 2019 and up to the date of this report, which is required to be disclosed pursuant to the Rule 13.51(B) of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), are set out below:

Name of Director(s)	Detail of Change(s)
Mr. LO Ching Leung Andrew	Ceased to act as a member of the PolyU Court of Hong Kong Polytechnic University on 31 March 2019

BOARD COMMITTEES

At 30 June 2019, the composition of the board committees remains the same as that set out in the 2018 annual report of the Company.

SENIOR MANAGEMENT

At 30 June 2019, the composition of the senior management of the Company remains the same as that set out in the 2018 annual report of the Company.

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 2018 annual report of the Company.

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 2018.

For the movements of the share awards, please refer to note 18 to the unaudited condensed consolidated financial statements for the six months ended 30 June 2019.

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

At 30 June 2019, 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:

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

Interests in the Company

Name of Director	Nature of Interest	Number of Shares (note a)	Approximate Percentage of Shareholding in the Company (%)
Mr. Kenneth Lo (note b)	Beneficial owner	1,141,136,640	40.00%
	Interest of spouse	1,141,896,640	40.03%
Mrs. Yvonne Lo (note c)	Beneficial owner	1,141,136,640	40.00%
	Interest of spouse	1,141,136,640	40.00%
	Founder of a discretionary trust who can influence the trustee	760,000	0.03%
Mr. Andrew Lo (note d)	Beneficial owner	8,074,080	0.28%
Mr. Dennis Wong (note d)	Beneficial owner	7,497,360	0.26%
Mr. Frankie Wong (note d)	Beneficial owner	4,806,000	0.17%

Notes:

(a) All positions are long positions.

(b) Under the SFO, Mr. Kenneth Lo, as the spouse of Mrs. Yvonne Lo, is deemed to be interested in the 1,141,896,640 shares in which Mrs. Yvonne Lo is interested.

(c) Under the SFO, Mrs. Yvonne Lo, as the spouse of Mr. Kenneth Lo, is deemed to be interested in the 1,141,136,640 shares in which Mr. Kenneth Lo is interested. Mrs. Yvonne Lo and her spouse Mr. Kenneth Lo were interested in a total of 760,000 shares held by The Incorporated Trustees of Yuk Ching Charity Trust of which Mrs. Yvonne Lo is a founder and chairman.

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

Save as disclosed above, at 30 June 2019, none of the Directors or chief executive of the Company had any interest or short position in the shares, 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 2019, the Directors are not aware of any person (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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were 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 throughout the six months ended 30 June 2019 and 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 2019.

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 2019 and up to the date of this interim report.

The Group has established written guidelines for relevant employees with no less exacting terms than the Model Code in respect of securities transactions. No incident of non-compliance with the written guidelines was noted throughout the six months ended 30 June 2019 and up to the date of this interim report.

AUDIT COMMITTEE

The Company has established an 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 its existing and potential risks and perform other duties and responsibilities as delegated by the Board.

For the six months ended 30 June 2019, the Audit Committee met the independent auditors to discuss their findings during the audit of the consolidated financial statements for the year ended 31 December 2018. 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 has reviewed, together with the management of the Group, the accounting principles and policies adopted by the Group and discussed with them the unaudited condensed consolidated financial statements and interim report of the Group for the six months ended 30 June 2019, recommending their adoption by the Board.

In addition, the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 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 is 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 prioritise the identified risks and assign risk owners. Based on the risk ranking classification, management will analyse 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.

On Behalf of the Board
Crystal International Group Limited
LO Lok Fung Kenneth
Chairman

Hong Kong, 21 August 2019

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 17 to 44, which comprise the condensed consolidated statement of financial position at 30 June 2019 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 the 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
21 August 2019

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	NOTES	Six months ended 30 June **2019** **US$'000** **(unaudited)**	 2018 US$'000 (unaudited)
Revenue	3	**1,143,473**	1,200,286
Cost of sales		**(930,353)**	(972,040)
Gross profit		**213,120**	228,246
Other income, gains or losses		**7,170**	7,297
Selling and distribution expenses		**(14,767)**	(20,472)
Administrative and other expenses		**(127,201)**	(125,176)
Finance costs		**(8,988)**	(8,394)
Share of results of an associate		**919**	1,007
Profit before tax	4	**70,253**	82,508
Income tax expense	5	**(10,185)**	(12,005)
Profit for the period		**60,068**	70,503
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**88**	(7,514)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit liabilities		**(311)**	(59)
Deferred tax expense arising on defined benefit liabilities		**(13)**	(59)
Surplus on revaluation of properties		**2,910**	3,510
Deferred tax expense arising on revaluation of properties		**(597)**	(797)
		1,989	2,595
Other comprehensive income (expense) for the period		**2,077**	(4,919)
Total comprehensive income for the period		**62,145**	65,584
Earnings per share (US cents)	7		
– basic		**2.11**	2.48
– diluted		**2.11**	2.47

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	NOTES	**At 30 June 2019 US$'000 (unaudited)**	At 31 December 2018 US$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	8	**665,097**	670,731
Right-of-use assets	8	**62,309**	–
Deposits paid for acquisition of property, plant and equipment		**10,730**	6,419
Prepaid lease payments		**–**	37,298
Goodwill		**74,941**	74,941
Intangible assets		**93,234**	95,693
Interest in an associate		**17,556**	16,638
Loan receivables		**1,428**	1,861
		925,295	903,581
Current assets			
Inventories		**314,786**	277,807
Right-of-use assets	8	**598**	–
Prepaid lease payments		**–**	960
Trade, bills and other receivables	9	**372,379**	337,220
Trade receivables at fair value through other comprehensive income	10	**17,777**	10,697
Amounts due from related companies	16	**616**	733
Loan receivables		**594**	674
Tax recoverable		**1,690**	5,954
Bank balances and cash		**234,075**	302,326
		942,515	936,371
Total assets		**1,867,810**	1,839,952

Condensed Consolidated Statement of Financial Position

At 30 June 2019

	NOTES	At 30 June 2019 US$'000 (unaudited)	At 31 December 2018 US$'000 (audited)
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	**3,654**	3,654
Reserves		**1,010,304**	982,785
Total equity		**1,013,958**	986,439
Non-current liabilities			
Other payables	11	**2,165**	4,190
Lease liabilities	12	**16,471**	–
Deferred taxation		**33,120**	32,685
		51,756	36,875
Current liabilities			
Trade, bills and other payables	11	**345,658**	360,246
Lease liabilities	12	**11,043**	–
Amount due to an associate	15	**5,481**	3,607
Derivative financial instruments	13	**3,427**	7,462
Dividend payable		**30,618**	–
Tax liabilities		**13,139**	10,911
Bank borrowings	14	**392,730**	434,412
		802,096	816,638
Total equity and liabilities		**1,867,810**	1,839,952

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	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	Total US$'000
At 31 December 2018 (audited)	**3,654**	**502,850**	**68,262**	**(73,536)**	**9,903**	**1,671**	**–**	**473,635**	**986,439**
Adjustment (Note 2)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,656)**	**(4,656)**
At 1 January 2019 (restated)	**3,654**	**502,850**	**68,262**	**(73,536)**	**9,903**	**1,671**	**–**	**468,979**	**981,783**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**60,068**	**60,068**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**88**	**–**	**–**	**–**	**–**	**88**
Remeasurement of defined benefit liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(311)**	**(311)**
Deferred tax expense arising on defined benefit liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13)**	**(13)**
Surplus on revaluation of properties	**–**	**–**	**2,910**	**–**	**–**	**–**	**–**	**–**	**2,910**
Deferred tax expense arising on revaluation of properties	**–**	**–**	**(597)**	**–**	**–**	**–**	**–**	**–**	**(597)**
Total comprehensive income for the period	**–**	**–**	**2,313**	**88**	**–**	**–**	**–**	**59,744**	**62,145**
Dividend recognised as distribution (Note 6)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(30,618)**	**(30,618)**
Recognition of equity-settled share-based payment expense	**–**	**–**	**–**	**–**	**–**	**648**	**–**	**–**	**648**
Vesting of shares in connection with Share Award Scheme B (Note 18)	**–**	**38**	**–**	**–**	**–**	**(38)**	**–**	**–**	**–**
At 30 June 2019 (unaudited)	**3,654**	**502,888**	**70,575**	**(73,448)**	**9,903**	**2,281**	**–**	**498,105**	**1,013,958**
For the six months ended 30 June 2018 (unaudited)									
At 1 January 2018 (audited)	3,654	499,808	63,096	(50,270)	9,903	773	(5,262)	389,066	910,768
Profit for the period	–	–	–	–	–	–	–	70,503	70,503
Exchange difference arising on translation of foreign operations	–	–	–	(7,514)	–	–	–	–	(7,514)
Remeasurement of defined benefit liabilities	–	–	–	–	–	–	–	(59)	(59)
Deferred tax expense arising on defined benefit liabilities	–	–	–	–	–	–	–	(59)	(59)
Surplus on revaluation of properties	–	–	3,510	–	–	–	–	–	3,510
Deferred tax expense arising on revaluation of properties	–	–	(797)	–	–	–	–	–	(797)
Total comprehensive income (expense) for the period	–	–	2,713	(7,514)	–	–	–	70,385	65,584
Dividend recognised as distribution (Note 6)	–	–	–	–	–	–	–	(44,582)	(44,582)
Recognition of equity-settled share-based payment expense	–	–	–	–	–	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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited)
NET CASH FROM OPERATING ACTIVITIES	**39,206**	41,351
INVESTING ACTIVITIES		
Payment for property, plant and equipment	**(51,578)**	(69,638)
Payment on settlement of derivative financial instruments	**(3,011)**	–
Proceeds on disposal of property, plant and equipment	**1,175**	587
Interest received	**1,010**	1,864
Loan receivables received	**518**	548
New short-term bank deposit placed	**–**	(36,438)
NET CASH USED IN INVESTING ACTIVITIES	**(51,886)**	(103,077)
FINANCING ACTIVITIES		
Repayment of bank borrowings	**(255,020)**	(251,014)
Interest paid	**(8,988)**	(8,394)
Repayment of lease liabilities	**(6,903)**	–
New bank borrowings raised	**213,862**	222,783
NET CASH USED IN FINANCING ACTIVITIES	**(57,049)**	(36,625)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(69,729)**	(98,351)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**2,663**	(1,431)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**299,891**	412,696
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**232,825**	312,914
Represented by		
Bank balances and cash	**234,075**	316,811
Bank overdrafts	**(1,250)**	(3,897)
	232,825	312,914

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

1. GENERAL AND BASIS OF PREPARATION

The Company was previously incorporated in Bermuda as an exempted company with limited liability and registered by way of continuation in the Cayman Islands as an exempted company with limited liability. The address of the registered office of the Company is Ugland House, P.O. Box 309, Grand Cayman KY1-1104, Cayman Islands and the principal place of business of the Company is 3/F, Crystal Industrial Building, 71 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

As detailed in the voluntary announcement made by the Company on 18 March 2019, Crystal Group Limited (previously incorporated in Bermuda and redomiciled in the Cayman Islands), the former parent and ultimate holding company of the Company, distributed all the shares in the Company held by Crystal Group Limited equally to its controlling shareholders, Mr. LO Lok Fung Kenneth and Mrs. LO CHOY Yuk Ching Yvonne (together, "**Mr. and Mrs. Lo**"), both executive directors of the Company ("**Share Transfer**"). Upon the completion of the Share Transfer, Crystal Group Limited was no longer the parent and ultimate holding company of the Company. The ultimate controlling parties of the Company are Mr. and Mrs. Lo.

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from the 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 2019 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018.

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 2019 for the preparation of the Group's condensed consolidated financial statements.

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application of IFRS 16 "Leases"

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 "Leases" ("**IAS 17**"), and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

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

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

As a lessee

Allocation of consideration to components of a contract

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

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application of IFRS 16 "Leases" (Continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Continued)

As a lessee (Continued)

Right-of-use assets (Continued)

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

Leasehold land and buildings

Where payments relate to a property interest that includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments which are payments that may, in form, contain variability but that, in substance, are unavoidable) less any lease incentives receivables;

- variable lease payments that depend on an index or a rate;

- amounts expected to be paid under residual value guarantees;

- the exercise price of a purchase option reasonably certain to be exercised by the Group; and

- payments of penalties for terminating a lease, if the Group considers it will probably exercise the termination option.

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

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

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application of IFRS 16 "Leases" (Continued)

2.1.1 Key changes in accounting policies resulting from application of IFRS 16 (Continued)

As a lessee (Continued)

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

Taxation

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "Income Taxes" requirements to the right-of-use assets and lease liabilities separately. Temporary differences relating to the right-of-use assets and lease liabilities are recognised neither initially nor over the lease terms due to application of the initial recognition exemption.

2.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease" and not apply these standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application of IFRS 16 "Leases" (Continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (Continued)

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group has applied the following practical expedients to leases previously classified as operating leases under IAS 17, on a lease-by-lease basis, to the extent relevant to the respective lease contracts:

- the exclusion initial direct costs for measurement of the right-of-use assets at the date of initial application; and

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On transition, the Group has made the following adjustments upon application of IFRS 16.

The Group has recognised lease liabilities of US$29,440,000 and right-of-use assets of US$64,753,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied was 6.29% per annum.

	At 1 January 2019 US$'000
Operating lease commitments at 31 December 2018	**29,915**
Lease liabilities discounted at relevant incremental borrowing rates	**(2,962)**
Early termination options reasonably certain to be exercised	**(933)**
Extension options reasonably certain to be exercised	**3,420**
Lease liabilities relating to operating leases recognised upon application of IFRS 16 at 1 January 2019	**29,440**
Analysed as:	
Current	**11,634**
Non-current	**17,806**
	29,440

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application of IFRS 16 "Leases" (Continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (Continued)

As a lessee (Continued)

The carrying amount of right-of-use assets at 1 January 2019 comprises the following:

	Right-of-use assets US$'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	**24,784**
Reclassified from prepaid lease payments (note a)	**38,258**
Reclassified from trade, bills and other receivables (note b)	**1,711**
	64,753
Analysed as:	
Current	**162**
Non-current	**64,591**
	64,753
By class of underlying assets:	
Leasehold land and buildings	**63,953**
Motor vehicles	**117**
Office equipment	**210**
Plant and machinery	**473**
	64,753

Notes:

(a) Certain upfront payments for leasehold lands were classified as prepaid lease payments at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to US$960,000 and US$37,298,000, respectively, were reclassified to right-of-use assets.

(b) At 31 December 2018, the Group's advance rental payments for certain leases were included in trade, bills and other receivables. Upon application of IFRS 16, the advance rental payments amounting to US$1,711,000 were reclassified to right-of-use assets.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application of IFRS 16 "Leases" (Continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (Continued)

As a lessee (Continued)

The following table summarises the impact of transition to IFRS 16 on retained profits at 1 January 2019.

	Impact of adopting IFRS 16 at 1 January 2019 US$'000
Retained profits	
Decrease upon application of IFRS 16 (note c)	**4,656**

Note:

(c) The amount represents the difference between the rental expenses charged to profit or loss under IAS 17 and the aggregate amount of depreciation of right-of-use assets and interest expense on lease liabilities under IFRS 16 if IFRS 16 had been applied since the commencement dates of the leases.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application of IFRS 16 "Leases" (Continued)

2.1.2 Transition and summary of effects arising from initial application of IFRS 16 (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 US$'000	Adjustments US$'000	**Carrying amounts under IFRS 16 at 1 January 2019 US$'000**
Non-current assets			
Prepaid lease payments	37,298	(37,298)	**–**
Right-of-use assets	–	64,591	**64,591**
Current assets			
Prepaid lease payments	960	(960)	**–**
Right-of-use assets	–	162	**162**
Trade, bills and other receivables	337,220	(1,711)	**335,509**
Total effect on assets	375,478	24,784	**400,262**
Capital and reserves			
Retained profits	(473,635)	4,656	**(468,979)**
Current liabilities			
Lease liabilities	–	(11,634)	**(11,634)**
Non-current liabilities			
Lease liabilities	–	(17,806)	**(17,806)**
Total effect on equity and liabilities	(473,635)	(24,784)	**(498,419)**

Note: For the purpose of reporting cash flows from operating activities under the indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on the opening condensed consolidated statement of financial position at 1 January 2019 disclosed above.

2.2 Significant changes in significant judgments and key sources of estimation uncertainty

Determination of lease terms of contracts with extension or termination options

The Group applies judgment to determine the lease terms for lease contracts that include extension or termination options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease terms, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

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 when control of the goods has transferred to the customers, being when the goods have been shipped to the specific location (delivery).

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

(i) Lifestyle wear

(ii) Denim

(iii) Intimate

(iv) Sportswear and outdoor apparel

(v) Sweater

(vi) Others

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

Segment revenue and results

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

Six months ended 30 June 2019 (unaudited)

	Lifestyle wear US$'000	Denim US$'000	Intimate US$'000	Sportswear and outdoor apparel US$'000	Sweater US$'000	Others US$'000	Total US$'000
SEGMENT REVENUE							
External sales	**484,956**	**280,446**	**208,044**	**105,466**	**60,919**	**3,642**	**1,143,473**
Segment profit	**95,348**	**45,679**	**40,929**	**19,037**	**9,081**	**3,046**	**213,120**
Other income, gains or losses							**7,170**
Selling and distribution expenses							**(14,767)**
Administrative and other expenses							**(127,201)**
Finance costs							**(8,988)**
Share of results of an associate							**919**
Profit before tax							**70,253**

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Six months ended 30 June 2018 (unaudited)

	Lifestyle wear US$'000	Denim US$'000	Intimate US$'000	Sportswear and outdoor apparel US$'000	Sweater US$'000	Others US$'000	Total US$'000
SEGMENT REVENUE							
External sales	473,677	304,650	205,484	110,307	101,268	4,900	1,200,286
Segment profit	91,774	52,272	43,309	19,501	17,136	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

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 results as such information is not regularly provided to the CODM.

3. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

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

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited)
Asia Pacific (note a)	**429,521**	478,840
United States	**429,220**	448,055
Europe (note b)	**228,729**	225,106
Other countries/regions	**56,003**	48,285
	1,143,473	1,200,286

Notes:

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

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

4. PROFIT BEFORE TAX

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited)
Profit before tax has been arrived at after charging (crediting)		
Directors' emoluments	**1,713**	1,925
Other staff costs	**256,923**	283,512
Redundancy costs (note)	**11,941**	–
Retirement benefit schemes contributions for other staff	**22,839**	22,425
Total staff costs	**293,416**	307,862
Amortisation of prepaid lease payments	**–**	491
Depreciation of property, plant and equipment	**38,004**	33,488
Depreciation of right-of-use assets	**6,718**	–
Amortisation of intangible asset (included in selling and distribution expenses)	**2,459**	2,459
Impairment loss recognised (reversed) in respect of property, plant and equipment (note)	**2,116**	(4,724)
Cost of inventories recognised as expenses	**925,771**	966,303
Write-down of inventories	**4,582**	5,737
Loss on disposals of property, plant and equipment	**33**	128
Net (gain) loss arising from changes in fair value/derecognition of derivative financial instruments	**(1,000)**	4,901
Interest income	**(1,010)**	(1,864)
Net foreign exchange loss	**2,169**	5,740
Finance costs:		
– interest expense on lease liabilities	**978**	–
– interest on bank borrowings	**8,010**	8,394

Note: As detailed in the voluntary announcement made by the Company on 12 June 2019, the directors of the Company have reviewed the Group's manufacturing platform and have decided to increase the pace of the program of reallocation of production capacity from the PRC to non-PRC production bases (the "**Reallocation Program**"). During the six months ended 30 June 2019, as a result of the Reallocation Program, an aggregate amount of US$14,057,000, including redundancy costs amounting to US$11,941,000 and impairment loss recognised in respect of property, plant and equipment amounting to US$2,116,000, has been charged to profit or loss.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited)
The income tax expense comprises:		
Hong Kong Profits Tax		
– current period	**5,493**	4,732
– under(over) provision in prior years	**101**	(81)
Overseas taxation		
– current period	**4,886**	8,598
– overprovision in prior years	**(160)**	(781)
	10,320	12,468
Deferred taxation	**(135)**	(463)
	10,185	12,005

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity are taxed at 8.25%, and profits above HK$2 million are taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime continue to be taxed at a flat rate of 16.5%.

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

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

6. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited)
Final, declared, of HK8.4 cents per ordinary share for 2018 (2018: HK12.3 cents per ordinary share for 2017)	**30,618**	44,582

Pursuant to a resolution passed by the Board of Directors (the "**Board**") on 21 August 2019, the Board has resolved to declare an interim dividend of HK4 cents (six months ended 30 June 2018: HK4 cents) per ordinary share, totalling approximately HK$114,113,000 (equivalent to approximately US$14,601,000) (30 June 2018: approximately US$14,496,000) estimated on the number of shares in issue at 30 June 2019. This declared dividend is not reflected as a dividend payable in these condensed consolidated financial statements, but will be reflected as an appropriation of reserve for the year ended 31 December 2019.

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	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of calculating basic and diluted earnings per share	**60,068**	70,503
	'000	'000
Number of Shares		
Number of ordinary shares in issue (note a)	**2,852,822**	2,852,822
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (note b)	**2,848,613**	2,844,514
Effect of dilutive potential ordinary shares – Share Award Scheme B (Note 18)	**2,940**	5,321
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,851,553**	2,849,835

Notes:

(a) In November 2017, the Company issued 13,062,000 ordinary shares to the participants under the Share Award Scheme B and held by the Trustee (as defined in note 18) until the participants fulfilled the condition of service period specified in the Share Award Scheme B. At 30 June 2019, the number of shares held by the Trustee under the Share Award Scheme B are 4,208,500 (30 June 2018: 8,308,000). For illustration purpose, the earnings per ordinary share in issue is US2.11 cents (six months ended 30 June 2018: US2.47 cents).

(b) The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been arrived at after deducting the number of shares held by the Trustee under the Share Award Scheme B.

8. PROPERTY, PLANT AND EQUIPMENT/RIGHT-OF-USE ASSETS

During the six months ended 30 June 2019, the Group incurred total expenditure of approximately US$35,247,000 (six months ended 30 June 2018: US$64,996,000) 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$2,910,000 has been credited to the property revaluation reserve during the six months ended 30 June 2019 (six months ended 30 June 2018: US$3,510,000).

During the current interim period, the Group entered into new lease agreements with lease terms ranging from 3 months to 46 years. The Group recognised new right-of-use assets of US$5,212,000 and the corresponding lease liabilities of US$5,191,000 during the current interim period.

9. TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2019 US$'000 (unaudited)	At 31 December 2018 US$'000 (audited)
Trade receivables	**310,583**	272,711
Bills receivable	**925**	1,310
Temporary payments	**15,327**	11,476
Other deposits and prepayments	**45,544**	51,723
	372,379	337,220

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 credit losses, based on invoice dates.

	At 30 June 2019 US$'000 (unaudited)	At 31 December 2018 US$'000 (audited)
Within 60 days	**296,198**	253,237
61 to 90 days	**11,742**	18,336
91 to 120 days	**2,050**	987
Over 120 days	**593**	151
	310,583	272,711

10. TRADE RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As part of the Group's cash flow management, the Group factors certain trade receivables to financial institutions before the receivables are due for repayment. The factored trade receivables are derecognised on the basis that the Group has transferred substantially all the risks and rewards to the relevant counterparties. Such trade receivables, that are held for the collection of contractual cash flows and sale of financial assets, have been classified as trade receivables at fair value through other comprehensive income ("**FVTOCI**").

At 30 June 2019, the effective interest rates of the factoring trade receivables at FVTOCI ranged from 3.53% to 3.66% (31 December 2018: 2.77% to 2.90%) per annum. Details of the valuation techniques and key inputs adopted for their fair value measurements are disclosed in note 22.

11. TRADE, BILLS AND OTHER PAYABLES

	At 30 June 2019 US$'000 (unaudited)	At 31 December 2018 US$'000 (audited)
Trade payables	**190,720**	178,978
Bills payable	**3,403**	3,455
Accrued staff cost	**61,861**	81,368
Other payables	**49,890**	49,797
Other accruals	**41,949**	50,838
Total trade, bills and other payables	**347,823**	364,436

The total is analysed for reporting purposes as:

	At 30 June 2019 US$'000 (unaudited)	At 31 December 2018 US$'000 (audited)
Current	**345,658**	360,246
Non-current	**2,165**	4,190
	347,823	364,436

At 30 June 2019, the non-current amounts are related to the purchase of property, plant and equipment and are unsecured, interest-free and repayable from 2020 to 2021 (31 December 2018: repayable from 2020 to 2021).

11. TRADE, BILLS AND OTHER PAYABLES (Continued)

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 2019 US$'000 (unaudited)	At 31 December 2018 US$'000 (audited)
Within 60 days	**159,561**	155,019
61 to 90 days	**30,006**	22,510
91 to 120 days	**848**	666
Over 120 days	**305**	783
	190,720	178,978

12. LEASE LIABILITIES

Included in the lease liabilities of US$2,123,000 is the balance with related companies controlled by certain directors of the Company. During the current interim period, interest expense of US$45,000 has been charged to profit or loss in relation to the lease liabilities with the related companies.

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

13. DERIVATIVE FINANCIAL INSTRUMENTS

	At 30 June 2019 US$'000 (unaudited)	At 31 December 2018 US$'000 (audited)
Derivative financial liabilities		
– Foreign currency exchange contracts	**3,427**	7,462

13. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The major components of the foreign currency exchange contracts at 30 June 2019 are as follows:

Notional Amount	Currency Conversion
11 contracts to sell US$110,000,000 in total (note)	US$1:RMB6.4498 – RMB6.8990

The major components of the foreign currency exchange contracts at 31 December 2018 are as follows:

Notional Amount	Currency Conversion
17 contracts to sell US$170,000,000 in total (note)	US$1:RMB6.4213 – RMB6.8990

Note: The contracts existing at the end of each reporting period had a maturity of less than 12 months.

During the six months ended 30 June 2019, net fair value gains of foreign currency exchange contracts of approximately US$1,000,000 (six months ended 30 June 2018: net fair value losses of US$4,901,000) were recognised directly in profit or loss.

14. BANK BORROWINGS

During the six months ended 30 June 2019, the Group obtained new bank borrowings of US$213,862,000 (six months ended 30 June 2018: US$222,783,000) and repaid bank borrowings of US$255,020,000 (six months ended 30 June 2018: US$251,014,000). The bank borrowings of the Group carry interest at market rates ranging from 2.30% to 5.13% per annum (31 December 2018: 2.03% to 5.13% per annum).

15. AMOUNT DUE TO AN ASSOCIATE

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

16. AMOUNTS DUE FROM RELATED COMPANIES

	At 30 June 2019 US$'000 (unaudited)	At 31 December 2018 US$'000 (audited)
Amounts due from related companies (note a)		
Fellow subsidiaries	–	518
Companies controlled by certain directors of the Company (note b)	616	215
	616	733

Notes:

(a) Included in the amounts due from related companies, US$100,000 (31 December 2018: US$212,000) are trade in nature, unsecured, interest-free and repayable on demand. The maximum balances during the six months ended 30 June 2019 were US$612,000 (year ended 31 December 2018: US$1,667,000). The remaining US$516,000 (31 December 2018: US$521,000) are non-trade in nature, unsecured, interest-free and repayable on demand.

(b) 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.

17. SHARE CAPITAL

	At 30 June 2019 US$'000 (unaudited)	At 31 December 2018 US$'000 (audited)
Issued and fully paid		
2,852,822,000 Ordinary shares of HK$0.01 each	3,654	3,654

18. SHARE-BASED PAYMENT TRANSACTIONS

Share Award Scheme B

The Company adopted the share award scheme ("**Share Award Scheme B**") pursuant to a written resolution passed in April 2017, which approved the Company appointing an independent professional trustee (the "**Trustee**") to assist with the administration and vesting of the share awards. The purpose of the 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 Share Award Scheme B were disclosed in the Group's consolidated financial statements for the year ended 31 December 2018.

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

	Outstanding at 1 January 2019	Vested during the period	Lapsed during the period (note)	Outstanding at 30 June 2019
Third tranche	3,965,000	(53,000)	(124,500)	3,787,500

Note: 2 eligible participants (six months ended 30 June 2018: 8 eligible participants), who were granted share awards ceased to become eligible participants upon termination of employment and the said share awards automatically lapsed.

The Group has recognised the total expense of US$648,000 (six months ended 30 June 2018: US$2,245,000) for the six months ended 30 June 2019 relating to the share awards under Share Award Scheme B granted by the Company.

19. CAPITAL COMMITMENTS

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

	At 30 June 2019 US$'000 (unaudited)	At 31 December 2018 US$'000 (audited)
Contracted for but not provided for in the condensed consolidated financial statements in relation to the acquisition of property, plant and equipment	**53,216**	61,525

20. 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 2019 US$'000 (unaudited)	At 31 December 2018 US$'000 (audited)
Property, plant and equipment	**9,722**	10,303
Inventories	**7,214**	5,374
Trade receivables	**23,625**	30,037
	40,561	45,714

21. 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 2019 US$'000 (unaudited)**	2018 US$'000 (unaudited)
Fellow subsidiaries	Rentals paid	**–**	(915)
	Management service income	**–**	128
	Subcontracting income	**–**	925
	Equipment leasing expenses	**–**	(250)
An associate	Purchase of materials	**(10,997)**	(11,181)
Companies controlled by certain directors of the Company (note)	Rentals paid	**–**	(647)
	Management service income	**126**	–
	Subcontracting income	**1,038**	–
	Interest expense on lease liabilities	**(45)**	–
	Handling fee received	**11**	15

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.

21. RELATED PARTY TRANSACTIONS (Continued)

(ii) Emoluments of key management personnel

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

	Six months ended 30 June	
	2019	2018
	US$'000	US$'000
	(unaudited)	(unaudited)
Short-term benefits	**1,672**	1,876
Post-employment benefits	**41**	49
	1,713	1,925

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

(iii) Related party balances

The Group's outstanding balances with related parties at 30 June 2019 and 31 December 2018 are set out in aggregate in these condensed consolidated statement of financial position and the corresponding notes thereto.

(iv) Commitments with a former fellow subsidiary and related parties

During the year ended 31 December 2017, certain subsidiaries of the Company entered into several non-cancellable operating lease arrangements as lessees with a former fellow subsidiary and companies controlled by certain directors of the Company with lease term ranging from two to three years. The total amount of rental expense during the six months ended 30 June 2018 was included in note 21(i).

Upon adoption of IFRS 16, lease contracts entered into by the Group are accounted for as acquisition of right-of-use assets and the interest expenses on lease liabilities are amortised over the lease term. During the six months ended 30 June 2019, no lease agreements are entered into with the related party and the interest expenses on lease liabilities related to the balance of lease liabilities with related parties are related party transaction and included in note 21(i).

(v) Licence agreement entered into with the former ultimate holding company

The Group has entered into a licence agreement on 20 March 2017 with the former ultimate holding company, pursuant to which the former ultimate holding company has agreed to grant to the Group a licence to use certain trademarks and domain names in connection with its business and operations in various territories for three years commencing 1 January 2017. Consideration of HK$1.00 was paid by the Group.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities 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			
	30 June 2019 US$'000 (unaudited)	31 December 2018 US$'000 (audited)	**Fair Value Hierarchy**	**Valuation Techniques and Key Inputs**
Financial Assets				
Trade receivables at FVTOCI (Note 10)	**17,777**	10,697	Level 2	Discounted cash flow. Future cash flows are estimated using a rate from the factoring arrangements.
Financial Liabilities				
Foreign currency exchange contracts classified as derivative financial liabilities (Note 13)	**3,427**	7,462	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.

There were no transfers into or out of Level 2 during the period.

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 recognised in the condensed consolidated financial statements approximate their fair values.