

# ST International Holdings Company Limited 智紡國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8521

INTERIM REPORT  
2018

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the “**Directors**”) of ST International Holdings Company Limited (the “**Company**”, together with its subsidiaries the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company.*

*The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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## CORPORATE INFORMATION

### Board of Directors

#### **Executive Directors**

Mr. Wong Kai Hung Kelvin (*Chairman*)  
Mr. Xi Bin  
Mr. Hung Yuk Miu

#### **Independent non-executive Directors**

Mr. Sze Irons, *BBS JP*  
Mr. Fong Kin Tat  
Mr. Ng Wing Heng Henry

#### **Audit Committee**

Mr. Ng Wing Heng Henry (*Chairman*)  
Mr. Sze Irons, *BBS JP*  
Mr. Fong Kin Tat

#### **Remuneration Committee**

Mr. Fong Kin Tat (*Chairman*)  
Mr. Wong Kai Hung Kelvin  
Mr. Ng Wing Heng Henry

#### **Nomination Committee**

Mr. Sze Irons *BBS JP* (*Chairman*)  
Mr. Wong Kai Hung Kelvin  
Mr. Ng Wing Heng Henry

#### **Compliance Officer**

Mr. Hung Yuk Miu

#### **Company Secretary**

Mr. Hung Yuk Miu (HKICPA)

#### **Authorised Representatives**

Mr. Wong Kai Hung Kelvin  
Mr. Hung Yuk Miu

#### **Registered Office**

Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman KY1-1111  
Cayman Islands

#### **Headquarter and Principal Place of Business in Hong Kong**

Room 1006, 10/F., Centre Point, 181-185  
Gloucester Road, Wan Chai, Hong Kong

### Hong Kong Branch Share Registrar

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East, Hong Kong

#### **Auditors**

SHINEWING (HK) CPA Limited  
Certified Public Accountants  
43/F, Lee Garden One  
33 Hysan Avenue  
Causeway Bay  
Hong Kong

#### **Legal Advisor**

Leung & Lau  
Units 7208-10, 72nd Floor  
The Center  
99 Queen's Road Central  
Central  
Hong Kong

#### **Compliance Adviser**

Sunfund Capital Limited  
Unit 2620, 26/F  
Tower 1, Admiralty Centre  
18 Harcourt Road  
Admiralty  
Hong Kong

#### **Principal Bankers**

The Hongkong and Shanghai Banking  
Corporation Limited  
HSBC Main Building  
1 Queen's Road Central, Hong Kong

Industrial and Commercial Bank of  
China (Asia) Limited  
1/F 9 Queen's Road Central  
Hong Kong

China Construction Bank  
Shop A1-001 to A1-003  
First International H5 Block Area A shops  
New Town Center District  
Nancheng District, Dongguan  
Guangdong Province, PRC

#### **Company's Website**

[www.smart-team.cn](http://www.smart-team.cn)

#### **Stock Code**

8521

## FINANCIAL HIGHLIGHTS

The Group recorded revenue and gross profit of approximately HK\$83,307,000 and HK\$35,433,000 for the six months ended 30 June 2018, representing an increase of approximately 82.0% and 89.5% respectively when compared with revenue and gross profit of approximately HK\$45,780,000 and HK\$18,701,000 for the six months ended 30 June 2017 which was mainly due to increase in sales orders from existing major customers as well as the introduction of new customers during the six months ended 30 June 2018.

The net profit after tax of the Group for the six months ended 30 June 2018 increased by approximately 382.8% to approximately HK\$9,969,000 (six months ended 30 June 2017: HK\$2,065,000). It was mainly due to the increase in gross profit, set-off partly by the increase in administrative and other expenses during the six months ended 30 June 2018.

The board of Directors (the "**Board**") does not recommend the payment of a dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

# REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION



SHINEWING (HK) CPA Limited  
43/F., Lee Garden One  
33 Hysan Avenue  
Causeway Bay, Hong Kong

To the Shareholders of ST International Holdings Company Limited  
*(Incorporated in the Cayman Islands with limited liability)*

## Introduction

We have reviewed the condensed interim consolidated financial information of ST International Holdings Company Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 6 to 25, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on GEM of 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 Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these condensed interim consolidated financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed interim consolidated financial information 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 Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed interim consolidated financial information 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 Hong Kong 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 interim consolidated financial information are not prepared, in all material respects, in accordance with HKAS 34.

## SHINEWING (HK) CPA Limited

*Certified Public Accountants*

### Kwan Chi Fung

Practising Certificate Number: P06614

Hong Kong  
10 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 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	4	83,307	45,780
Cost of sales		(47,874)	(27,079)
Gross profit		35,433	18,701
Other income		768	562
Selling and distribution expenses		(2,519)	(1,431)
Administrative and other expenses		(19,782)	(14,323)
Finance costs	6	(152)	(62)
Profit before tax		13,748	3,447
Income tax	7	(3,779)	(1,382)
Profit for the period	8	9,969	2,065
<b>Other comprehensive (expense) income for the period</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		(1,323)	812
Total comprehensive income for the period		8,646	2,877
Profit (loss) for the period attributable to			
Owners of the Company		10,542	2,265
Non-controlling interests		(573)	(200)
		9,969	2,065
Total comprehensive income (expenses) for the period attributable to			
Owners of the Company		9,202	3,078
Non-controlling interests		(556)	(201)
		8,646	2,877
Earnings per share			
– basic and diluted (HK\$ cents)	9	2.70	0.63

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	30 June 2018 HK\$'000 (Unaudited)	31 December 2017 HK\$'000 (Audited)
<b>Non-current assets</b>			
Plant and equipment	11	3,667	3,272
Deferred tax assets		1,024	508
		<b>4,691</b>	3,780
<b>Current assets</b>			
Inventories		36,376	12,579
Trade and bills receivables	12	74,248	47,781
Deposits, prepayments and other receivables	12	20,811	23,715
Pledged bank deposits		6,055	6,043
Bank balances and cash		48,608	8,756
		<b>186,098</b>	98,874
<b>Current liabilities</b>			
Trade payables	13	26,681	9,868
Other payables and accruals	13	23,056	14,257
Amount due to a director	15	–	9,411
Bank borrowings	14	4,744	3,000
Income tax payable		6,918	2,785
Bank overdrafts	14	2,978	5,637
		<b>64,377</b>	44,958
<b>Net current assets</b>		<b>121,721</b>	53,916
<b>Total assets less current liabilities</b>		<b>126,412</b>	57,696
<b>Non-current liability</b>			
Deferred tax liability		1,051	1,070
<b>NET ASSETS</b>		<b>125,361</b>	56,626
<b>Capital and reserves</b>			
Share capital	16	4,800	–
Reserves		121,432	56,941
Equity attributable to owners of the Company		126,232	56,941
Non-controlling interests		(871)	(315)
<b>Total equity</b>		<b>125,361</b>	56,626



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company						Total	Non – controlling interests	Total
	Share capital	Share premium	Capital reserves	Statutory reserve	Retained earnings	Exchange reserve			
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i> <i>(Note a)</i>	<i>HKS'000</i> <i>(Note b)</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	
<b>At 1 January 2017 (audited)</b>	-	-	335	1,807	34,008	(2,554)	33,596	(220)	33,376
Profit (loss) for the period	-	-	-	-	2,265	-	2,265	(200)	2,065
Exchange differences arising on translation of foreign operations	-	-	-	-	-	813	813	(1)	812
Total comprehensive income (expense) for the period	-	-	-	-	2,265	813	3,078	(201)	2,877
Transfer to People's Republic of China ("PRC") statutory reserve	-	-	-	620	(620)	-	-	-	-
<b>At 30 June 2017 (unaudited)</b>	-	-	335	2,427	35,653	(1,741)	36,674	(421)	36,253
<b>At 1 January 2018 (audited)</b>	-	-	335	4,941	51,126	539	56,941	(315)	56,626
Profit (loss) for the period	-	-	-	-	10,542	-	10,542	(573)	9,969
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(1,340)	(1,340)	17	(1,323)
Total comprehensive income (expense) for the period	-	-	-	-	10,542	(1,340)	9,202	(556)	8,646
Issues of shares (Note 16)	100	-	(100)	-	-	-	-	-	-
Contribution from shareholder (Note a)	-	-	2,000	-	-	-	2,000	-	2,000
Issue of shares pursuant to placing and public offering (Note 16)	1,200	68,400	-	-	-	-	69,600	-	69,600
Expenses incurred in connection with issue of new shares	-	(11,511)	-	-	-	-	(11,511)	-	(11,511)
Issue of shares by capitalisation of share premium account (Note 16)	3,500	(3,500)	-	-	-	-	-	-	-
Transfer to PRC statutory reserve	-	-	-	1,044	(1,044)	-	-	-	-
<b>At 30 June 2018 (unaudited)</b>	<b>4,800</b>	<b>53,389</b>	<b>2,235</b>	<b>5,985</b>	<b>60,624</b>	<b>(801)</b>	<b>126,232</b>	<b>(871)</b>	<b>125,361</b>

Notes:

(a) Capital reserves

Capital reserves represents (i) the difference between the consideration paid for acquisition of non-controlling interest of Dongguan Smart Union Textiles Technology Co., Ltd. (東莞聯兆紡織科技有限公司) (“**Smart Union**”) and the carrying amount of the non-controlling interest and (ii) the contribution from the shareholder due to a deed of waiver dated 23 April 2018 executed by the shareholder and director of the Company, Mr. Wong Kai Hung Kelvin (“**Mr. Wong**”) and a subsidiary of the Company, Smart Team Textiles Technology Limited (“**Smart Team**”), pursuant to which an outstanding sum in the amount of HK\$2,000,000 owed by Smart Team to Mr. Wong as at 30 April 2018 was irrevocably and unconditionally waived by Mr. Wong.

(b) Statutory reserve

According to the PRC Company Law, companies in the PRC are required to transfer 10% of their respective after-tax profits, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The statutory reserve can be utilised, upon approval of the relevant authorities, to offset the accumulated losses or to increase the registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital. The statutory reserve is not distributable as cash dividends and must be made before distribution of dividend to equity owners.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(8,645)</b>	(14,717)
<b>INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	<b>(899)</b>	(631)
(Increase) decrease in pledged bank deposits	<b>(38)</b>	50
Interest received	<b>233</b>	66
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(704)</b>	(515)
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	<b>69,600</b>	–
New bank borrowings raised	<b>4,744</b>	–
Government grants received	<b>524</b>	284
Share issued expenses	<b>(11,511)</b>	–
Repayment to a director	<b>(7,411)</b>	(181)
Repayment of bank borrowing	<b>(3,000)</b>	–
Interest paid	<b>(152)</b>	(62)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>52,794</b>	41
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>43,445</b>	(15,191)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>3,119</b>	16,657
Effect of foreign exchange rate changes	<b>(934)</b>	627
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>45,630</b>	2,093
Analysis of components of cash and cash equivalents		
Bank balances and cash	<b>48,608</b>	2,093
Bank overdrafts	<b>(2,978)</b>	–
	<b>45,630</b>	2,093

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2018

## 1. GENERAL INFORMATION

ST International Holdings Company Limited (the “**Company**”) was incorporated in the Cayman Islands, under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 21 February 2017 and its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 May 2018.

The parent and the ultimate holding company of the Company is Cosmic Bliss Investments Limited (“**Cosmic Bliss**”), a company incorporated in the British Virgin Islands (the “**BVI**”). The ultimate controlling party is Mr. Wong.

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the principal place of business of the Company in Hong Kong is Room 1006, Centre Point, 181-185 Gloucester Road, Wan Chai, Hong Kong.

The Company is an investment holding company and its principal subsidiaries are principally engaged in sales of functional knitted fabrics and apparel.

The condensed interim consolidated financial information are presented in thousands of units of Hong Kong dollars (“**HK\$**”), which is also the functional currency of the Company and its Hong Kong subsidiary. Renminbi (“**RMB**”) is the functional currency of the PRC subsidiaries of the Company.

## 2. BASIS OF PREPARATION

- i) Pursuant to the reorganisation as described in the section headed “History, Reorganisation and Corporate Structure” in the prospectus of the Company dated 30 April 2018 (the “**Prospectus**”), the Company became the holding company of the companies now comprising the Group on 28 February 2018 (the “**Reorganisation**”).

The companies now comprising the Group have been under the common control and beneficially owned by Mr. Wong before and after the Reorganisation. Accordingly, the Reorganisation has been accounted for as if the Company had always been the holding company of the companies comprising the Group for the six months ended 30 June 2017.

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows including the results and cash flows of the companies now comprising the Group have been prepared as if the current group structure had been in existence for the six months ended 30 June 2018 and 2017. The condensed consolidated statement of financial position of the Group as at 31 December 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at that date.

- ii) The condensed interim consolidated financial information for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited.

### 3. PRINCIPAL ACCOUNTING POLICIES

For the purpose of preparing and presenting the condensed interim consolidated financial information for the six months ended 30 June 2018, the Group has consistently adopted all the new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“**HKASs**”), amendments and interpretations (“**Int(s)**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning on 1 January 2018.

The accounting policies used in the condensed interim consolidated financial information are consistent with those used in the preparation of the Group’s annual consolidated financial statements as included in the Accountants Report in Prospectus except for those new accounting policies as set out as below for the year ended 31 December 2017.

#### Change in accounting policies

##### *HKFRS 15 Revenue from Contracts with Customers*

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- i) Identify the contract with the customer;
- ii) Identify the performance obligations in the contract;

- iii) Determine the transaction price;
- iv) Allocate the transaction price to the performance obligations; and
- v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 has superseded the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 becomes effective for annual periods beginning on or after 1 January 2018.

The major sources of revenue of the Group are sales of goods. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good is transferred to a customer. The directors of the Company have preliminarily assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the condensed interim consolidated financial information. However, the directors of the Company expect that the adoption of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 30 June 2018.

### **HKFRS 9 (2014) Financial Instruments**

HKFRS 9 (2014) Financial Instruments HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“**FVTOCI**”) measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an “expected credit loss” model for impairment assessments.

HKFRS 9 (2014) becomes effective for annual periods beginning on or after 1 January 2018.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKFRS 9 (2014) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have 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, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that 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 presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purpose.

The directors of the Company has performed an analysis of the Group's financial instruments as at 30 June 2018 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

**(a) Classification and measurement**

The directors of the Company have continued recognising initially at fair value for all financial assets which are subsequently measured at amortised costs or at fair value through profit or loss. The directors of the Company anticipate that the adoption of HKFRS 9 (2014) does not have a material impact on the classification and measurement of the financial assets.

**(b) Impairment**

The directors of the Company have applied the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables.

The directors of the Company have performed a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of HKFRS 9 (2014) does not have other material impact on amounts reported in the Group's condensed interim consolidated financial information.



#### 4. REVENUE

Revenue represents the amounts received and receivable from sales of goods in the normal course of business, net of sales related tax.

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Sales of functional knitted fabrics	<b>81,320</b>	43,958
Sales of apparel	<b>1,965</b>	1,303
Sales of other products	<b>22</b>	519
	<b>83,307</b>	45,780

#### 5. SEGMENT INFORMATION

Operating segments and the amounts of each segment item reported in the condensed interim consolidated financial information are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

The Group is organised into a single operating segment as sales of functional knitted fabrics and apparel primarily in the PRC and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to this single segment. Accordingly, no segment analysis by business and geographical information is presented.

##### Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group is as follows:

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Customer A <sup>1</sup>	<b>32,861</b>	19,037
Customer B <sup>2</sup>	<b>N/A</b>	6,072
Customer C <sup>1</sup>	<b>14,111</b>	6,429

<sup>1</sup> Revenue from sales of functional knitted fabrics and apparel.

<sup>2</sup> The corresponding revenue did not contribute over 10% of the total revenue of the Group.

## 6. FINANCE COSTS

	<b>Six months ended 30 June</b>	
	<b>2018</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2017 <i>HK\$'000</i> (Unaudited)
Interests on:		
– Bank borrowings and overdrafts	<b>152</b>	62

## 7. INCOME TAX

	<b>Six months ended 30 June</b>	
	<b>2018</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2017 <i>HK\$'000</i> (Unaudited)
Current tax:		
PRC Enterprise Income Tax (“EIT”)	<b>4,314</b>	1,391
Deferred taxation	<b>(535)</b>	(9)
	<b>3,779</b>	1,382

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the six months ended 30 June 2018 and 2017.

No provision for Hong Kong Profits Tax has been made as there are no assessable profits for the six months ended 30 June 2018 and 2017.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and implementation regulation of the EIT Law, the tax rate applicable to the subsidiaries of the Company established in the PRC is 25% for the six months ended 30 June 2018 and 2017.

Pursuant to the rules and regulations of the BVI and the Cayman Islands, the Group is not subject to any income tax in these jurisdictions.

One of the Group’s subsidiaries established in the PRC is recognised as a High and New-Technology Enterprise which has been granted tax concessions by the local tax bureau and is entitled to PRC EIT at a concessionary rate of 15% from 1 January 2016 to 31 December 2018.

## 8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Staff costs:		
Salaries, allowances and other benefits	<b>10,373</b>	6,411
Contributions to retirement benefits scheme	<b>726</b>	525
	<b>11,099</b>	6,936
Cost of inventories recognised as an expense	<b>47,874</b>	27,079
Depreciation of plant and equipment	<b>462</b>	380
Interest income	<b>(233)</b>	–
Expenses in relation to the listing	<b>10,856</b>	6,428
Operating lease rentals in respect of rented premises	<b>677</b>	412
Research and development expenses ( <i>note</i> )	<b>2,644</b>	1,777
Exchange loss, net	<b>17</b>	5

*Note:*

The research and development expenses disclosed herein excluded salaries, allowances and other benefits of approximately HK\$829,000 and HK\$1,791,000, and contributions to retirement benefits scheme of approximately HK\$81,000, and HK\$143,000 for the periods ended 30 June 2017 and 2018 respectively which had been included in salaries, allowances and other benefits disclosed above.

## 9. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2018</b>	2017
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Earnings</b>		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	<b>10,542</b>	2,265
	<b>30 June 2018</b>	30 June 2017
	<b>'000</b>	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b>390,497</b>	360,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2017 have been retrospectively adjusted for the effects of the capitalisation issue pursuant to the Reorganisation as stated in note 2.

Diluted earnings per share were the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the six months ended 30 June 2018 and 2017.

## 10. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2018 and 2017, nor has any dividend been proposed since the end of the reporting period.

## 11. PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired approximately HK\$899,000 (six months ended 30 June 2017: approximately HK\$631,000) of plant and equipment.

## 12. TRADE AND BILLS RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<b>30 June 2018</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31 December 2017 <i>HK\$'000</i> (Audited)
Trade receivables	<b>70,276</b>	45,474
Bills receivables	<b>3,972</b>	2,307
	<b>74,248</b>	47,781
Other receivables	<b>2,766</b>	3,753
Prepayments	<b>17,876</b>	19,796
Deposits	<b>169</b>	166
	<b>20,811</b>	23,715
	<b>95,059</b>	71,496

The Group allows credit period of 30 to 90 days to its trade customers. The Group does not hold any collateral over its trade and bills receivables. The following is an aged analysis of trade and bills receivables, presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

At the end of the reporting period, the aged analysis of trade and bills receivables, net of provision of impairment loss recognised presented based on the invoice date, which approximated the respective revenue recognition dates, are as follows:

	<b>30 June 2018</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31 December 2017 <i>HK\$'000</i> (Audited)
Within 30 days	<b>49,822</b>	18,697
31 to 60 days	<b>20,011</b>	16,546
61 to 90 days	<b>2,268</b>	11,066
91 to 180 days	<b>1,487</b>	1,052
More than 180 days	<b>660</b>	420
Total	<b>74,248</b>	47,781

### 13. TRADE AND OTHER PAYABLES

	<b>30 June 2018</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31 December 2017 <i>HK\$'000</i> (Audited)
Trade payables	<b>26,681</b>	9,868
Other payables and accruals		
Accrued expenses	<b>409</b>	1,675
Other payables	<b>1,190</b>	233
Other tax payables	<b>7,117</b>	5,326
Receipts in advance	<b>14,340</b>	7,023
	<b>23,056</b>	14,257
	<b>49,737</b>	24,125

The credit period granted is ranging from 30 days to 90 days. The Group has financial risk management in place to ensure that all payables are settled within the credit timeframe.

The following is an aged analysis of trade payables presented based on the invoice dates at the end of the reporting period.

	<b>30 June 2018</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31 December 2017 <i>HK\$'000</i> (Audited)
Within 30 days	<b>17,457</b>	3,926
31 to 60 days	<b>6,777</b>	4,262
61 to 90 days	<b>767</b>	776
91 to 180 days	<b>1,254</b>	459
More than 180 days	<b>426</b>	445
Total	<b>26,681</b>	9,868

#### 14. BANK BORROWINGS AND BANK OVERDRAFTS

	<b>30 June 2018</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31 December 2017 <i>HK\$'000</i> (Audited)
Secured bank overdrafts	<b>2,978</b>	5,637
Secured bank borrowing	–	3,000
Unsecured bank borrowings	<b>4,744</b>	–
	<b>7,722</b>	8,637

During the current interim period, the Group obtained new bank borrowings in the amount of approximately HK\$4,744,000 (31 December 2017: HK\$ nil) and repaid bank borrowing in the amount of approximately HK\$3,000,000 (2017: HK\$ nil). The loans carried interest at a rate of 6.96% per annum and are repayable on or before 7 February 2019.

As at 31 December 2017, secured bank borrowings with aggregate carrying amounts of approximately HK\$3,000,000 (30 June 2018: HK\$ nil) were secured by pledged bank deposits and personal guarantees provided by Mr. Wong and Mr. Xi Bin, the directors of the Company, and guarantee provided by the Hong Kong Mortgage Corporation Limited of the Hong Kong Special Administrative Region under the Small and Medium Enterprise Loan Guarantee Scheme.

As at 30 June 2018, bank overdrafts were secured by pledged bank deposits.

As at 30 June 2018, the bank overdrafts carried a fixed interest rate at 3.50% per annum (2017: 1.75% per annum).

As at 30 June 2017, secured bank borrowing carried interest at variable market interest rates, which was based on the Hong Kong Interbank Offered Rate plus 2.2% per annum. As at 30 June 2018, unsecured bank borrowings carried interest at a fixed interest rate of 6.96% per annum.

The interest rates of borrowings are as follows:

	<b>At 30 June 2018</b>	At 31 December 2017
Fixed-rate secured bank overdrafts	<b>3.50%</b>	1.75%
Fixed-rate unsecured borrowings	<b>6.96%</b>	N/A
Variable-rate secured bank borrowing	<b>N/A</b>	3.11% to 3.56%

## 15. AMOUNT DUE TO A DIRECTOR

The amount due to a director were non-trade in nature, unsecured and non-interest bearing and repayable on demand. During the current interim period, the balance was fully settled except for approximately HK\$2,000,000 which was waived by the director of the Company. Details are set out in condensed consolidated statement of changes in equity.

## 16. SHARE CAPITAL

The share capital balance as at 30 June 2018 represented the issued share capital of the Company. Details of the authorised and issued and fully paid share capital of the Company are summarised as follows:

The Company	Number of ordinary shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
<b>Authorised:</b>		
As at 21 February 2017 (date of incorporation), at 31 December 2017 and 1 January 2018 (audited) ( <i>note i</i> )	<b>10,000,000</b>	100,000
Increased on 23 April 2018 ( <i>note ii</i> )	<b>9,990,000,000</b>	99,900,000
As at 30 June 2018 (unaudited)	<b>10,000,000,000</b>	100,000,000
<b>Issued and fully paid</b>		
As at 21 February 2017 (date of incorporation) and 1 January 2018 ( <i>note i</i> )	<b>1</b>	–
Issue and allotted on 28 February 2018 ( <i>note iii</i> )	<b>9,999,999</b>	100
Issue by capitalisation of share premium account on 15 May 2018 ( <i>note iv</i> )	<b>350,000,000</b>	3,500
Issue pursuant to placing and public offer ( <i>note v</i> )	<b>120,000,000</b>	1,200
At 30 June 2018 (unaudited)	<b>480,000,000</b>	4,800



*Notes:*

- (i) On 21 February 2017 (date of incorporation), the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares of HK\$0.01 each. At the date of incorporation, one share was allotted and issued nil paid to the subscriber, which was then transferred to Cosmic Bliss Investments Limited at nil consideration on 28 February 2018.
- (ii) On 23 April 2018, pursuant to the resolution of the sole shareholder of the Company, the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of additional 9,990,000,000 new ordinary shares of HK\$0.01 each.
- (iii) On 28 February 2018, the Company acquired the entire interests in Smart Team Textiles Technology Limited, a wholly-owned subsidiary incorporated in Hong Kong, in consideration which was satisfied by the Company (i) crediting as fully paid, the nil-paid by Cosmic Bliss; and (ii) allotting and issuing, credited as fully paid 9,999,999 shares of HK\$0.01 each to Cosmic Bliss, which is directed by Mr. Wong.
- (iv) On 23 April 2018, resolutions were passed by the sole shareholder of the Company to approve: (i) the allotment and issue of 120,000,000 ordinary shares of HK\$0.01 each to the public by way of public offer and placing; and (ii) upon the share premium account of the Company being credited as a result of the issue of the said 120,000,000 ordinary shares, 350,000,000 ordinary shares of HK\$0.01 each be allotted and issued to the then sole shareholder of the Company by way of capitalisation ("**Capitalisation Issue**") of HK\$3,500,000 from the share premium account.
- (v) On 15 May 2018, the Company issued a total of 120,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.58 per share. Of the gross proceeds of HK\$69,600,000, HK\$1,200,000 representing the par value of such 120,000,000 ordinary shares was credited to the Company's share capital, and HK\$68,400,000, before the share issue expenses, was credited to the share premium account. The Company's total number of issued ordinary shares was increased to 480,000,000 shares upon completion of placing, the public offer and the Capitalisation Issue.
- (vi) All shares issued during the six months ended 30 June 2018 rank pari passu in all respects among themselves and with the then existing shares (other than the entitlement to the Capitalisation Issue).

## 17. OPERATING LEASES

### The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect the rental of office premise which fall due as follows:

	<b>30 June 2018</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31 December 2017 <i>HK\$'000</i> (Audited)
Within one year	<b>1,415</b>	1,142
In the second to fifth year inclusive	<b>874</b>	1,261
	<b>2,289</b>	2,403

## 18. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed interim consolidated financial information, the Group has the following transactions with related parties:

### Compensation of key management personnel

The remuneration of key management personnel representing the directors of the Company, during the periods was as follows:

	<b>Six months ended 30 June 2018</b> <b>2018</b> <i>HK\$'000</i> <b>(Unaudited)</b>	2017 <i>HK\$'000</i> (Unaudited)
Short-term benefits	<b>1,619</b>	952
Post-employment benefits	<b>27</b>	23
	<b>1,646</b>	975

The remuneration of the key management personnel is determined by the board of directors of the Company having regards to the performance of individuals and market trends.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the unaudited condensed interim consolidated financial information of the Group for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017. This information should be read in conjunction with the prospectus of the Company dated 30 April 2018 (the “**Prospectus**”).

### Business Review and Outlook

The shares of the Company were successfully listed (the “**Listing**”) on GEM operated by the Stock Exchange (“**GEM**”) on 16 May 2018 (the “**Listing Date**”) by way of share offer (the “**Share Offer**”).

The Listing is a significant milestone for the Company which not only enhanced our corporate image, but also provided capital for our expansion and helped us to establish better recognitions in the industry and to broaden our client base.

The Group is a functional knitted fabrics provider in the PRC. Our products are primarily sold directly to (i) lingerie and apparel brand owners; (ii) sourcing agents; and (iii) garment manufacturers. We design functional knitted fabrics through our product innovation capabilities, source our raw materials comprising primarily synthetic fibres and yarns and engage third party factories to carry out production processes comprising yarn spinning, knitting and dyeing for our direct sales of functional knitted fabrics to our customers. With a view to diversifying our source of revenue and creating cross-selling opportunity, we also engage in the sales of apparel made of our functional knitted fabrics for our customers which are lingerie and apparel brand owners.

During the six months ended 30 June 2018, the Group has continued to grow its business through promoting existing functional knitted fabrics and developing new functional knitted fabrics to the customers. The Group has also continued to recruit new talented sales and marketing executives to develop new markets during the six months ended 30 June 2018.

Looking forward, the Group will continue to devote more resources towards the research and development of functional knitted fabrics as well as the dyeing methodology. The Group will focus on the following business strategies: (i) to strengthen the Group’s market position in the PRC by improving its product offering; (ii) to strengthen the Group’s marketing efforts; and (iii) to recruit talents to support the Group’s future growth. Details of the business strategies have been disclosed in the Prospectus.

## Financial Review

### Revenue

The following table set forth an analysis of our revenue by products during the six months ended 30 June 2018 and 2017.

	Six months ended 30 June	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Sales of functional knitted fabrics	<b>81,320</b>	43,958
Sales of apparel	<b>1,965</b>	1,303
Sales of other products	<b>22</b>	519
	<b>83,307</b>	45,780

The Group's revenue increased by approximately HK\$37,527,000, or 82.0%, from approximately HK\$45,780,000 for the six months ended 30 June 2017 to approximately HK\$83,307,000 for the six months ended 30 June 2018. The increase was mainly due to the increase in revenue from sales of functional knitted fabrics which was resulted from the increase in sales orders from the existing major customers as well as the introduction of new customers during the six months ended 30 June 2018. The new functional knitted fabrics developed by the Group have also contributed to the increase in the Group's revenue during the six months ended 30 June 2018.

### Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$16,732,000, or 89.5%, from approximately HK\$18,701,000 for the six months ended 30 June 2017 to approximately HK\$35,433,000 for the six months ended 30 June 2018. The increase was in line with the increase in revenue. The gross profit margin increased by approximately 1.6% from approximately 40.9% for the six months ended 30 June 2017 to approximately 42.5% for the six months ended 30 June 2018. The increase in gross profit margin was mainly due to the increase in selling prices of certain products during the six months ended 30 June 2018 compared with the corresponding period in 2017.

### Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately HK\$1,088,000, or 76.0%, from approximately HK\$1,431,000 for the six months ended 30 June 2017 to approximately HK\$2,519,000 for the six months ended 30 June 2018 which was mainly due to increase in staff cost as the number of sales and marketing executives has been increased compared with six months ended 30 June 2017.

### ***Administrative and other expenses***

The Group's administrative and other expenses increased by approximately HK\$5,459,000, or 38.1%, from approximately HK\$14,323,000 for the six months ended 30 June 2017 to approximately HK\$19,782,000 for the six months ended 30 June 2018. The increase was mainly due to (i) the increase of the one-off listing expenses of approximately HK\$4,428,000; (ii) the increase in staff costs due to increase in number of staff and the average increment in salaries and wages; (iii) the increase in rental expenses and depreciation as a result of the expansion of our Dongguan headquarter; and (iv) the increase in consultancy and professional fees incurred for our compliance requirements upon Listing.

### ***Income tax expenses***

For the six months ended 30 June 2018 and 2017, our income tax expenses were approximately HK\$3,779,000 and HK\$1,382,000, respectively, and our effective tax rate (excluding the non-recurring listing expenses) for the same period was approximately 27.5% and 40.1%, respectively.

### ***Profit for the period attributable to owners of the Company***

As a result of the foregoing, the profit for the period attributable to owners of the Company increased from approximately HK\$2,265,000 for the six months ended 30 June 2017 to approximately HK\$10,542,000 for the six months ended 30 June 2018.

### **Dividend**

The Board does not recommend the payment of any dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

### **Liquidity, Financial Resources and Capital Structure**

During six months ended 30 June 2018, the Group financed its operation mainly through cash generated from our operating activities and banking facilities. As at 30 June 2018, we had cash and cash equivalents of approximately HK\$48,608,000 (As at 31 December 2017: HK\$8,756,000) and bank borrowings and bank overdraft of approximately HK\$7,722,000 (As at 31 December 2017: HK\$8,637,000).

The quick ratio of the Group was approximately 2.3 times (31 December 2017: approximately 1.9 times). Increase of quick ratio was mainly due to the increase in bank balances and cash of approximately from approximately HK\$8,756,000 as at 31 December 2017 to approximately HK\$48,608,000 as at 30 June 2018 as a result of the proceeds from the Share Offer. Upon Listing, the Group obtained net proceeds from the Share Offer of approximately HK\$39,900,000. The Group generally financed its daily operations from internally generated cash flows. The Group financed its business expansion and new business opportunities from the net proceeds. The remaining unused net proceeds as at 30 June 2018 were placed as interest bearing deposits with a licensed bank in Hong Kong.

The Shares were successfully listed on GEM on 16 May 2018. As at the date of this report, there has been no change in the capital structure of the Group since then. The share capital of the Group only comprises ordinary shares.

As at 30 June 2018, the Company's issued share capital was HK\$4,800,000 and the number of its issued ordinary shares was 480,000,000 of HK\$0.01 each.

### **Gearing Ratio**

The Group's gearing ratio, which is calculated based on the total debt (defined as the sum of bank borrowings and bank overdraft as at the respective financial period end date divided by total equity as at the respective corresponding periods) was approximately 6.2% as at 30 June 2018 (as at 31 December 2017: 15.3%).

Our liquidity position is further strengthened by combining the cash generated from operating activities and the net proceeds received from the Share Offer.

### **Foreign Exchange Exposure Risks**

Some of our costs of raw materials are primarily denominated in United States Dollars. These are not the functional currencies of our entities to which these transactions relate. We currently do not have a group foreign currency hedging policy. However, our management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

### **Future Plans for Material Investments and Capital Assets**

Save as disclosed in the Prospectus, the Group does not have other plans for material investments and capital assets.

### **Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies**

For the six months ended 30 June 2018, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies save for those related to the internal reorganisation, details of which are set out in the Prospectus.

### **Significant Investment Held**

The Group did not hold any significant investments during the six months ended 30 June 2018.

### **Commitments and Contingent Liabilities**

As at 30 June 2018, the Group had no material capital commitments and contingent liabilities.

## Charge on Group's Assets

As at 30 June 2018, the Group's bank borrowings and bank overdraft were secured by pledged bank deposits of approximately HK\$6,055,000.

## Employees and Remuneration Policies

As at 30 June 2018, the Group had 95 employees (30 June 2017: 97) and most of them were working in our Dongguan office. We incurred staff costs inclusive of performance related bonus, bonus and Directors' remuneration in the aggregate of approximately HK\$1,646,000 and HK\$975,000 for the six months ended 30 June 2018 and 30 June 2017, respectively. We regularly review the performance of our employees and make reference to such performance reviews in our salary review and promotional appraisal in order to attract and retain talented employees.

## Comparison of Business Objectives with Actual Business Progress

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress up to 30 June 2018.

### Business objectives up to 30 June 2018 as set out in the Prospectus

Engage in marketing activities through participation in trade shows, industry exhibitions and networking events

### Actual implementation plan up to 30 June 2018

- The Group has participated in a trade exhibition.
- The Group has recruited one sales director.

## Use of Proceeds from the Share Offer

The Shares were listed on GEM on 16 May 2018. The net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately HK\$39,900,000 will be used for the intended purposes as set out in the section headed "Future Plans use of proceeds" of the Prospectus. Set out below is the actual use of net proceeds up from the Listing Date to 30 June 2018:

Use of proceeds	Planned use of proceeds as stated in the Prospectus up to 30 June 2018 <i>HK\$'million</i>	Actual use of proceeds up to 30 June 2018 <i>HK\$'million</i>
Engage in marketing activities through participation in trade shows, industry exhibitions and networking events	0.1	0.1

The business objectives, future plans and planned use of proceeds as stated in the Prospectus were based on the best estimation and assumption of future market conditions made by the Group at the time of preparing the Prospectus while the proceeds were applied based on the actual development of the Group's business and the industry.

### **Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations**

As at 30 June 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which are (a) recorded in the register required to be kept under section 352 of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard dealings by directors of listed issuer as referred to in Rule 5.47 of the GEM Listing Rules were as follows:

#### ***Long Position in the Shares or the ordinary shares of the associated corporation of the Company***

<b>Name of Director</b>	<b>Name of Group member/associated corporation</b>	<b>Capacity/nature of Interest</b>	<b>Total number of shares</b>	<b>Percentage of interest</b>
Mr. Wong Kai Hung Kelvin (" <b>Mr. Wong</b> ")	Our Company	Interest in a controlled corporation	360,000,000 Shares ( <i>Note 1</i> )	75.00%
Mr. Wong	Cosmic Bliss Investments Limited (" <b>Cosmic Bliss</b> ") ( <i>Note 2</i> )	Beneficial owner	1 share of US\$1.00	100.00%

*Notes:*

- These Shares are registered in the name of Cosmic Bliss, a company wholly owned by Mr. Wong. By virtue of the provisions in Part XV of the SFO, Mr. Wong is deemed to be interested in all the Shares held by Cosmic Bliss. Mr. Wong is the sole director of Cosmic Bliss.
- Cosmic Bliss is an associated corporation of our Company by virtue of its being the holding company of our Company. Cosmic Bliss is wholly owned by Mr. Wong.

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executives of the Company nor their associates had registered an interest or short position in any shares or underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.



## Directors' Rights to Acquire Shares and Debentures

At no time since the Listing Date and up to the date of this report was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement which would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

So far as is known to any Directors or chief executive of the Company, as at 30 June 2018, the following persons (other than Directors or chief executive of the Company whose interests are disclosed under the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above) have interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

### Long positions in the Shares of the Company

Name of person	Name of Group member	Capacity/nature of Interest	Number and class of securities	Percentage of interest
Cosmic Bliss (Note 1)	Our Company	Beneficial owner	360,000,000 Shares	75.00%
Kwan, Vivian Wun-kwan (Note 2)	Our Company	Interest of spouse	360,000,000 Shares	75.00%

Notes:

1. The entire issued share capital of Cosmic Bliss is owned by Mr. Wong, our executive Director.
2. These Shares are registered in the name of Cosmic Bliss, a company wholly owned by Mr. Wong. Ms. Kwan, Vivian Wun-kwan is the spouse of Mr. Wong. By virtue of the provisions in Part XV of the SFO, Ms. Kwan, Vivian Wun-kwan is deemed to be interested in all the Shares Mr. Wong is interested or deemed to be interested.

Save as disclosed above, as at 30 June 2018, the Directors were not aware of any other person who had or deemed to have interests or short positions in the Shares and underlying Shares which has disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO.

## Competing Interests

During the six months ended 30 June 2018 and up to the date of this report, none of the Directors or the substantial shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) is interested in any business which competes or may compete, either directly or indirectly, with the business of the Group nor has or may have any conflicts of interest with any business of the Group.

## Audit Committee

The Company has established the audit committee (the “**Audit Committee**”) on 23 April 2018 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference. The full terms of reference setting out details of duties of the Audit Committee are in compliance with the Corporate Governance Code (the “**CG Code**”) set out in Appendix 15 to the GEM Listing Rules and are available on the websites of the Stock Exchange and the Company. The Audit Committee comprises three independent non-executive Directors, namely Mr. Ng Wing Heng Henry, Mr. Sze Irons, *BBS JP*, Mr. Fong Kin Tat. Mr. Ng Wing Heng Henry is the chairman of the Audit Committee.

The Audit Committee has reviewed the Group’s unaudited condensed interim consolidated financial information for the six months ended 30 June 2018, which have been approved by the Board on 10 August 2018 prior to its issuance. The Audit Committee is of the view that the unaudited condensed interim consolidated financial information are in compliance with the applicable accounting standards, the GEM Listing Rules and other legal requirements, and that sufficient disclosure has been made.

The Company’s independent auditor, Shinewing (HK) CPA Limited, has also conducted a review of the Group’s unaudited condensed interim consolidated financial information for the six months 30 June 2018 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Qualified Public Accountants.

## Securities Transactions by Directors

The Company has adopted a code of conduct (the “**Code of Conduct**”) regarding the dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has confirmed, having made specific enquiries of all Directors, that all Directors have complied with the Code of Conduct since the Listing Date and up to the date of this report.

## Purchase, Sale or Redemption of Listed Securities of the Company

Since the Listing Date and up to the date of this report, the Company did not redeem any of its listed securities, nor did the Company or any of its subsidiaries purchase or sell any of the Company's listed securities.

## Corporate Governance Practices

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the CG Code. Since the Listing Date and up to the date of this report, the Company has complied with all the applicable code provisions of the CG Code.

## Interest of the Compliance Adviser

As notified by Sunfund Capital Limited ("**Sunfund**"), the Company's compliance adviser, save for the compliance agreement entered into between the Company and Sunfund dated 7 April 2017 in connection with the Listing, none of Sunfund or its directors, employees or close associates (as defined in the GEM Listing Rules) had any interest in the Group as at 30 June 2018 and up to the date of this report, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

By Order of the Board  
**ST International Holdings Company Limited**  
**Wong Kai Hung Kelvin**  
*Chairman*

Hong Kong, 10 August 2018

*As at the date of this report, the executive Directors are Mr. Wong Kai Hung Kelvin, Mr. Xi Bin and Mr. Hung Yuk Miu, and the independent non-executive Directors are Mr. Sze Irons BBS JP, Mr. Fong Kin Tat and Mr. Ng Wing Heng, Henry.*