

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
2020

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*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.

CONTENTS

CORPORATE INFORMATION	3
FINANCIAL HIGHLIGHTS	4
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	5
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	6
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	8
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION	9
MANAGEMENT DISCUSSION AND ANALYSIS	21

CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Director

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. Wong Kai Hung Kelvin

Company Secretary

Mr. Chan Chi Yeung, CPA

Authorised Representatives

Mr. Wong Kai Hung Kelvin
Mr. Chan Chi Yeung

Registered Office

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

Headquarters 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 54, 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 Adviser

LCH Lawyers LLP
Room 702, Admiralty Centre Tower One
18 Harcourt Road
Admiralty
Hong Kong

Compliance Adviser

First Shanghai Capital Limited
19/F, Wing On House
71 Des Voeux Road Central
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

Stock Code

8521

FINANCIAL HIGHLIGHTS

The Group recorded revenue and gross profit of approximately HK\$42,086,000 and HK\$13,367,000 respectively for the six months ended 30 June 2020, representing a decrease of approximately 50.7% and 54.8% respectively when compared with revenue and gross profit of approximately HK\$85,312,000 and HK\$29,573,000 for the six months ended 30 June 2019. The Directors attribute such significant decrease in revenue principally to the global outbreak of the novel coronavirus pandemic (“**COVID-19**”) in early 2020 and the implementation of various aggressive preventive control measures by the government of the People’s Republic of China, resulting in not only a temporary suspension of operation of the Group and the business operations of the Group’s customers in the first quarter of 2020 but also a weakened economy in general; and thus a decrease in purchase orders received from customers of the Group during the six months ended 30 June 2020. Coupled with the fact that the Group has continued to incur administrative expenses which are, to a large extent, not variable in nature, while experiencing a decline in revenue during the period, the Group’s net profit during the period has decreased significantly.

Notwithstanding the challenging business environment under the global outbreak of COVID-19 since early 2020, the Group achieved an improved performance from loss after tax of approximately HK\$4,376,000 for the three months ended 31 March 2020 to net profit after tax of approximately HK\$5,603,000 for the three months ended 30 June 2020. It was mainly attributable to the fact that the Group and its customers have gradually resumed the business operations in the second quarter of 2020.

The board of Directors (the “**Board**”) does not recommend the payment of a dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	4	32,381	62,379	42,086	85,312
Cost of sales		(20,905)	(40,127)	(28,719)	(55,739)
Gross profit		11,476	22,252	13,367	29,573
Other income		662	231	1,383	507
Selling and distribution expenses		(724)	(1,327)	(1,823)	(2,687)
Administrative and other expenses		(4,863)	(5,247)	(10,729)	(9,640)
Finance costs	6	(116)	(129)	(139)	(246)
Profit before tax		6,435	15,780	2,059	17,507
Income tax	7	(832)	(2,699)	(832)	(2,980)
Profit for the period	8	5,603	13,081	1,227	14,527
Other comprehensive income (expense) for the period					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences arising on translation of foreign operations		(810)	(3,009)	(2,904)	(858)
Total comprehensive income (expense) for the period		4,793	10,072	(1,677)	13,669
Profit for the period attributable to Owners of the Company		5,603	13,081	1,227	14,527
Non-controlling interests		-	-	-	-
		5,603	13,081	1,227	14,527
Total comprehensive income (expenses) for the period attributable to Owners of the Company		4,793	10,072	(1,677)	13,669
Non-controlling interests		-	-	-	-
		4,793	10,072	(1,677)	13,669
Earnings per share – basic and diluted (HK\$ cents)	9	1.17	2.73	0.26	3.03

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	10	25,665	6,682
Deposit paid for acquisition of plant and equipment		–	20,000
Deferred tax assets		2,031	2,367
Right-of-use assets	11	1,078	1,668
		28,774	30,717
Current assets			
Inventories		37,679	39,305
Trade and bills receivables	12	46,644	34,903
Deposits, prepayments and other receivables	12	64,371	20,808
Pledged bank deposits		2,791	2,791
Bank balances and cash		42,827	55,155
		194,312	152,962
Current liabilities			
Trade payables	13	9,544	1,590
Other payables and accruals	13	25,665	7,100
Contract liabilities		2,280	2,414
Lease liabilities	11	800	1,206
Bank borrowings	14	19,706	–
Income tax payable		3,654	3,245
		61,649	15,555
Net current assets		132,663	137,407
Non-current liabilities			
Deferred tax liability		400	400
Lease liabilities	11	210	420
		610	820
NET ASSETS		160,827	167,304
Capital and reserves			
Share capital	15	4,800	4,800
Reserves		156,027	162,504
Equity attributable to owners of the Company		160,827	167,304
Non-controlling interests		–	–
TOTAL EQUITY		160,827	167,304

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company						Total HK\$'000	Non - controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Statutory reserve HK\$'000 (Note a)	Retained earnings HK\$'000	Exchange reserve HK\$'000 (Note b)			
At 1 January 2019 (audited)	4,800	53,389	2,235	5,797	74,551	(3,466)	137,306	(411)	136,895
Profit for the period	-	-	-	-	14,527	-	14,527	-	14,527
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(858)	(858)	-	(858)
Total comprehensive income (expenses) for the period	-	-	-	-	14,527	(858)	13,669	-	13,669
Changes in ownership interest in subsidiaries (note 19)	-	-	(411)	-	-	-	(411)	411	-
At 30 June 2019 (unaudited)	4,800	53,389	1,824	5,797	89,078	(4,324)	150,564	-	150,564
At 1 January 2020 (audited)	4,800	53,389	1,824	5,797	109,543	(8,049)	167,304	-	167,304
Profit for the period	-	-	-	-	1,227	-	1,227	-	1,227
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(2,904)	(2,904)	-	(2,904)
Total comprehensive income (expenses) for the period	-	-	-	-	1,227	(2,904)	(1,677)	-	(1,677)
Dividend approved in respect of the previous year	-	(4,800)	-	-	-	-	(4,800)	-	(4,800)
At 30 June 2020 (unaudited)	4,800	48,589	1,824	5,797	110,770	(10,953)	160,827	-	160,827

Notes:

(a) Statutory reserve

According to The People's Republic of China (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. The reserve balance has reached 50% of the registered capital of the relevant PRC entities and some entities of the Group in the PRC are in accumulated loss position, therefore, no transfer to the PRC statutory reserve for the period ended 30 June 2020.

(b) Exchange reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to profit or loss on the disposal of the foreign operations.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(26,983)	(34,254)
INVESTING ACTIVITIES		
Acquisition of plant and equipment	(137)	(567)
Proceeds from disposal of plant and equipment	426	–
Decrease in pledged bank deposits	–	(25)
Interest received	342	132
NET CASH FROM (USED IN) INVESTING ACTIVITIES	631	(460)
FINANCING ACTIVITIES		
New bank borrowings raised	19,875	2,316
Payment of lease liabilities	(626)	(526)
Government grants received	963	375
Dividends paid to owners of the Company	(4,800)	–
Interest paid	(99)	(193)
NET CASH FROM FINANCING ACTIVITIES	15,313	1,972
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,039)	(32,742)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	55,155	61,026
Effect of foreign exchange rate changes	(1,289)	168
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	42,827	28,452

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2020

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

The condensed interim consolidated financial information have been prepared on the historical cost basis.

The condensed interim consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting issued by Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited. This condensed interim consolidated financial information does not include all the information and disclosures required for a full set of financial statements and thereby should be read in conjunction with the annual financial statements for the year ended 31 December 2019 (the “**2019 Financial Statements**”) which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the HKICPA. The interim financial information has been prepared in accordance with the same accounting policies adopted by the Group in the 2019 Financial Statements except for the adoption of new or revised HKFRSs which include HKFRSs, HKASs, amendments and interpretations (“**Int(s)**”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2020. Details of any changes in accounting policies are set out in note 3.

3. PRINCIPAL ACCOUNTING POLICIES

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2020:

Amendments to HKFRS 3	Definition of a business
Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting 2018
Amendment to HKFRS 16	Covid-19-Related Rent Concession

Other than the amendments to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The application of new and amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed interim consolidated financial information.

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("**COVID-19-related rent concessions**") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see Note 11). There is no impact on the opening balance of equity at 1 January 2020.

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:

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15				
Disaggregated by major products				
– Sales of functional knitted fabrics	29,341	59,637	32,501	79,622
– Sales of apparel	2,744	2,333	4,755	5,281
– Sales of yarns	296	409	4,830	409
	32,381	62,379	42,086	85,312

The above revenue are all recognised at a point in time.

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, apparel and yarns 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:

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Customer A	12,655	31,530	14,367	33,486
Customer B	4,456	13,270	5,248	14,625

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interests on:				
– Bank borrowings and overdrafts	98	105	98	193
– Lease liabilities	18	24	41	53
	116	129	139	246

7. INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax:				
PRC Enterprise Income Tax ("EIT")	309	2,699	309	2,980
Deferred taxation	523	–	523	–
	832	2,699	832	2,980

Hong Kong profit tax is calculated at 16.5% on the estimated assessable profit for the six months ended 30 June 2020 and 2019.

No provision for Hong Kong Profits Tax has been made as there are no assessable profits for the six months ended 30 June 2020 and 2019.

Under the Law of the PRC on Enterprise Income Tax ("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 2020 and 2019.

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%.

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

8. PROFIT FOR THE PERIOD

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

	Three months ended 30 June		Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Staff costs, excluding directors' emoluments:				
Salaries, allowances and other benefits	2,755	4,778	7,104	7,580
Contributions to retirement benefit scheme	102	161	189	393
	2,857	4,939	7,293	7,973
Cost of inventories recognised as an expense	18,702	41,076	24,409	55,739
Depreciation of plant and equipment	424	316	887	747
Depreciation of right-of-use assets	358	250	577	522
Interest income	(132)	(89)	(342)	(132)
Expenses relating to short-term leases	49	81	99	104
Research and development expenses (note)	1,174	373	2,109	2,155
Exchange loss, net	48	18	48	35

Note: The research and development expenses disclosed herein excluded salaries, allowances and other benefits of approximately HK\$1,474,000 and HK\$1,551,000, and contributions to retirement benefit scheme of approximately HK\$31,000, and HK\$78,000 for the periods ended 30 June 2020 and 2019 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:

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	1,227	14,527
	30 June 2020	30 June 2019
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	480,000	480,000

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 2020 and 2019.

10. PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired plant and equipment of approximately HK\$20,539,000 (six months ended 30 June 2019: approximately HK\$567,000). For details, please refer to the announcements of the Company dated 30 June 2020 and 7 July 2020.

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(a) Right-of-use assets

There was no newly signed leases during the six months ended 30 June 2020. During the six months ended 30 June 2019, two leases of properties were signed, the Group recognised HK\$927,000 right-of-use assets.

(b) Lease liabilities

During the six months ended 30 June 2020, the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed and variable lease payments for the interim reporting period is summarised below:

	Six months ended 30 June 2020		
	Fixed payments HK\$'000	COVID-19 rent concessions HK\$'000	Total payment HK\$'000
Office – Dongguan	289	(21)	268
	Six months ended 30 June 2019		
	Fixed payments HK\$'000	COVID-19 rent concessions HK\$'000	Total payment HK\$'000
Office – Dongguan	286	–	286

As disclosed in note 3, the Group has early adopted the Amendment to HKFRS 16, Covid-19-Related Rent Concessions, and has applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the reporting period.

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

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Trade receivables	46,684	34,325
Bills receivables	–	619
	46,684	34,944
Less: allowance for impairment on trade receivables	(40)	(41)
	46,644	34,903
Other receivables	24,146	4,671
Prepayments	40,103	16,015
Deposits	122	122
	64,371	20,808

The Group allows credit period of 30 to 90 days to its customers. The Group does not hold any collateral over its trade and bills receivables. The following is an aging 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 aging 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:

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Within 30 days	39,995	33,792
31 to 60 days	2,622	808
61 to 90 days	–	–
91 to 180 days	747	–
More than 180 days	3,280	303
Total	46,644	34,903

13. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Trade payables	9,544	1,590
Other payables and accruals		
Accrued expenses	1,118	1,452
Other payables	20,655	5,315
Other tax payables	3,892	333
	25,665	7,100
	35,209	8,690

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 aging analysis of trade payables presented based on the invoice dates at the end of the reporting period.

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Within 30 days	7,292	1,589
31 to 60 days	1,668	–
61 to 90 days	273	–
91 to 180 days	296	1
More than 180 days	15	–
Total	9,544	1,590

14. BANK BORROWINGS

	30 June 2020 <i>HK\$'000</i> (Unaudited)	31 December 2019 <i>HK\$'000</i> (Audited)
Secured bank borrowing	19,706	–
	19,706	–

During the current interim period, the Group obtained new bank borrowings in the amount of approximately HK\$19,706,000. The loan carried interest at variable market interest rate based on PRC Loan Prime Rate plus 0.5% per annum and is repayable on or before 15 May 2021. The loan was secured by a personal guarantee provided by Mr. Xi Bin, a director of the Company.

As at 31 December 2019, there was no interest-bearing borrowing.

The interest rates of borrowings are as follows:

	At 30 June 2020	At 31 December 2019
Variable-rate secured bank borrowing	4.35%	–

15. SHARE CAPITAL

(a) Dividends

The Board has resolved not to declare interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

Dividends payable to equity owners attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June 2020 <i>HK\$'000</i> (Unaudited)	2019 <i>HK\$'000</i> (Unaudited)
Final dividend in respect of the previous financial year, approved and paid during the interim period, of 1 HK cent per share (six months ended 30 June 2019: Nil)	4,800	–

16. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

Related party	Nature of transaction	Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Zhongshan Da Chong Elastic Thread Factory Ltd.*	Purchase of yarns	443	1,364
Proudy Limited	Consultancy services	674	–

Note:

- (1) Purchases of materials from 中山市大涌線廠有限公司 (Zhongshan Da Chong Elastic Thread Factory Ltd.*), a related company owned as to 15% by Mr. Wong and as to 85% collectively by the close family members of Mr. Wong, for the six months ended 30 June 2020 were made on terms mutually agreed by the Group and related party and with reference to the prevailing market prices of the materials under the purchase agreements.
- (2) The consultancy agreement was entered by the Group and Proudy Limited, a company wholly owned by Mr. Hung Yuk Miu, a non-executive director of the Company, for the provision of certain consultancy services. Such consultancy agreement was negotiated on arm's length basis and the terms thereof are on normal commercial terms.

* *The English translation of the name is for reference only. The official name of this entity is in Chinese.*

(b) Balance with related company

Related party	Nature of transaction	Six months ended 30 June	
		2020 HK\$'000	2019 HK\$'000
Prepayment			
Proudy Limited	Consultancy services	286	–

Note:

The balance represented prepayment for the consultancy services. The above transaction was conducted at terms determined on arm's length basis mutually agreed with the Group and the related party and on normal commercial terms.

(c) Banking facilities

Mr. Xi Bin, an executive Director, has provided personal guarantee for the bank borrowings of approximately HK\$19,706,000 and HK\$5,514,000 to the Group for the periods ended 30 June 2020 and 2019, respectively.

(d) Compensation of key management personnel

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

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	1,867	1,772
Post-employment benefits	21	34
	1,888	1,806

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.

17. SEASONALITY OF OPERATIONS

The Group's business experiences higher revenue and operating profits in the second half of the year as compared with the first half due to seasonality effect of demand for functional knitted fabrics.

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 2020, together with the comparative figures for the corresponding period in 2019.

Business Review and Outlook

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 2020, the Group's business and operation have been affected by the outbreak of the novel coronavirus pandemic ("**COVID-19**") since January 2020. The implementation of various aggressive preventive control measures by the government of the People's Republic of China ("**PRC**"), not only resulted in a temporary suspension of operation of the Group and the business operations of the Group's customers but also an economic downturn since the first quarter of 2020. This has in turn resulted in a prominent decrease in purchase orders from customers of the Group during the six months ended 30 June 2020. Despite the business performance of the Group is still adversely affected by the impact of COVID-19 and the weakened economy in general, the Group has achieved an improved performance in the second quarter of 2020 as compared to the first quarter of 2020, in terms of revenue and profits. Management will continue to closely monitor the market conditions and the pandemic development and to adopt a tightened cost control; and other cautious approaches have been adopted by management with an aim to coping with the challenging business environment.

Looking ahead, despite the current challenging market and environment caused by the COVID-19 outbreak, the Group will continue to devote resources towards the research and development of functional knitted fabrics as well as the dyeing methodology.

Financial Review

Revenue

The following table set forth an analysis of our revenue by products during the six months ended 30 June 2020 and 2019.

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Sales of functional knitted fabrics	32,501	79,622
Sales of apparel	4,755	5,281
Sales of yarns	4,830	409
	42,086	85,312

The Group's revenue decreased by approximately HK\$43,226,000, or 50.7%, from approximately HK\$85,312,000 for the six months ended 30 June 2019 to approximately HK\$42,086,000 for the six months ended 30 June 2020. The decrease was mainly due to the significant decrease in sales of functional knitted fabrics which was resulted from the decrease in sales orders from the customers as their business operations were temporarily suspended in the first quarter 2020 as well as weakened economy in general due to global outbreak of COVID-19.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$16,206,000, or 54.8%, from approximately HK\$29,573,000 for the six months ended 30 June 2019 to approximately HK\$13,367,000 for the six months ended 30 June 2020, which was mainly caused by the decrease in sales orders. The gross profit margin slightly decreased by approximately 2.9 percentage points from approximately 34.7% for the six months ended 30 June 2019 to approximately 31.8% for the six months ended 30 June 2020. The decrease in gross profit margin was mainly due to the continued incurrence of overhead costs despite the decrease in revenue during the six months ended 30 June 2020 compared with the corresponding period in 2019.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately HK\$864,000, or 32.2%, from approximately HK\$2,687,000 for the six months ended 30 June 2019 to approximately HK\$1,823,000 for the six months ended 30 June 2020 which was mainly due to decrease in advertising and exhibition expenses, transportation, travelling and entertainment expenses since there has been a temporary suspension of the Group's operation in the first quarter 2020 caused by outbreak of COVID-19.

Administrative and other expenses

The Group's administrative and other expenses increased by approximately HK\$1,089,000, or 11.3%, from approximately HK\$9,640,000 for the six months ended 30 June 2019 to approximately HK\$10,729,000 for the six months ended 30 June 2020. The increase was mainly caused by bank charge for application of bank loan of approximately HK\$255,000, training and consultancy expense for sales team of approximately HK\$243,000 and increase in depreciation of plant and equipment of approximately HK\$140,000.

Income tax expenses

For the six months ended 30 June 2020 and 2019, the income tax expenses were approximately HK\$832,000 and HK\$2,980,000, respectively, and the effective tax rate for the same period was approximately 40.4% and 17.0%, respectively. Increase in effective tax rate was due to the Group's profit before tax being partially offset by the loss before tax incurred by subsidiaries outside PRC. Excluding the loss before tax incurred by these subsidiaries, the effective tax rate for six months ended 30 June 2020 was approximately 13.9%.

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 decreased from approximately HK\$14,527,000 for the six months ended 30 June 2019 to approximately HK\$1,227,000 for the six months ended 30 June 2020.

Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

Liquidity, Financial Resources and Capital Structure

During the six months ended 30 June 2020, the Group financed its operation mainly through cash generated from our operating activities and banking facilities. As at 30 June 2020, the Group had cash and cash equivalents of approximately HK\$42,827,000 (As at 31 December 2019: HK\$55,155,000) and bank borrowings of approximately HK\$19,706,000 (As at 31 December 2019: Nil).

The quick ratio of the Group as at 30 June 2020 was approximately 2.54 times (30 June 2019: approximately 2.49 times; 31 December 2019: approximately 7.3 times). The quick ratio of the Group as at 30 June 2020 was approximately the same as 30 June 2019. Decrease of quick ratio of 30 June 2020 when compared with 31 December 2019 was mainly due to (i) the increase in bank borrowings of HK\$19,706,000; and (ii) increase in other payable of approximately HK\$20,000,000 arising from the supplementary agreement dated 30 June 2020 to the machine design and purchases agreement dated 27 November 2018 mainly for the arrangement of machines delivery as disclosed in the announcements of the Company dated 30 June 2020 and 7 July 2020.

As at 30 June 2020, 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 sum of bank borrowings as at the respective financial period end date divided by total equity as at the respective corresponding period end date was approximately 12.3% as at 30 June 2020 (31 December 2019: Nil). Increase in gearing ratio was caused by increase in bank borrowings during the period ended 30 June 2020 while the Group had no bank borrowings as at 31 December 2019.

Foreign Exchange Exposure Risks

The Group's reporting currency is Hong Kong dollars and most of the business transactions are denominated in other currencies including Renminbi ("**RMB**") and USD dollar ("**USD**"). Hence, exchange rate fluctuation can affect the profit margin of the Group. The Group's foreign exchange gains or losses primarily arise from settlement of trade payables denominated in USD and receipt of our trade receivables denominated in RMB. The Group did not use any hedging contracts to engage in speculative activities during period ended 30 June 2020. The Group's 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 of the Company dated 30 April 2018 ("**Prospectus**"), the Group does not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

For the six months ended 30 June 2020, the Group did not have any material acquisitions or disposals of subsidiaries and associated companies.

Significant Investment Held

The Group did not hold any significant investments during the six months ended 30 June 2020.

Commitments and Contingent Liabilities

As at 30 June 2020, the Group had material capital commitments of approximately HK\$20 million. Reference is made to the announcements of the Company dated 30 June 2020 and 7 July 2020 relating to the entering into of the supplemental agreement to the machine design and purchase agreement. As disclosed in the announcement dated 30 June 2020, in connection with the purchase of the Machine (as defined in such announcement), the Group has to pay the RMB Consideration (as defined in such announcement) in order to get the refund of the Paid Consideration (as defined in such announcement). As at 30 June 2020, the RMB Consideration remained outstanding.

As at 30 June 2020, the Group has no material contingent liabilities.

Charge on Group's Assets

As at 30 June 2020, the Group's bank borrowings were not secured by any of the Group's assets. The Group had pledged deposits of HK\$2,791,000 (30 June 2019: HK\$2,791,000) to secure general banking facilities granted to the Group as at 30 June 2020.

Employees and Remuneration Policies

As at 30 June 2020, the Group had 76 employees (30 June 2019: 74) 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\$9,181,000 and HK\$9,779,000 for the six months ended 30 June 2020 and 30 June 2019, 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 2020.

Business objectives up to 30 June 2020 as set out in the Prospectus

Actual implementation plan up to 30 June 2020

Expand our current operations in Beijing and Shanghai	<ul style="list-style-type: none">- The Group has purchased office equipment for sales office in Beijing- The Group has recruited one sales staff, one technical staff and one administrative staff for sales office in Beijing
Engage in marketing activities through participation in trade shows, industry exhibitions and networking events	<ul style="list-style-type: none">- The Group has participated in a trade exhibitions- The Group has recruited one sales director and four sales and marketing executives
Enhance our research and development resources	<ul style="list-style-type: none">- The Group has cooperated with our equipment supplier in research and development to develop new machines- The Group has recruited two research and development technicians and two managers to support our strategy to improve and widen our product offerings
Upgrade product testing facilities, expand testing centre and cooperate with research institutions and university	<ul style="list-style-type: none">- The Group has cooperated with research institutions in research and development- The Group has recruited two product testing personnel
Enhance our information technology infrastructure	<ul style="list-style-type: none">- The Group is developing a new ERP system

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 has been and will be used for the intended purposes as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus. Set out below is the actual use of net proceeds up from the Listing Date to 30 June 2020:

Use of proceeds	Planned use of proceeds as stated in the Prospectus up to 30 June 2020 <i>HK\$'million</i>	Actual use of proceeds up to 30 June 2020 <i>HK\$'million</i>
Expand our current operations in Beijing and Shanghai	3.4	0.3
Engage in marketing activities through participation in trade shows, industry exhibitions and networking events	2.7	1.3
Enhance our research and development resources	12.9	12.9
Upgrade product testing facilities, expand testing centre and cooperate with research institutions and university	7.0	0.6
Enhance our information technology infrastructure	3.3	1.9
General working capital	2.3	2.3

The unutilised proceeds from the Listing up to 30 June 2020 will be used by the Group in the manner set out in the Prospectus (as supplemented by the announcement of the Company dated 11 August 2020 in relation to the extended timeline for the use of unutilised proceeds).

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. Such plans have been modified as disclosed in the Company's announcement dated 11 August 2020 for the reasons stated in such announcement.

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 2020, 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) 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 and short positions in which they are taken or deemed to have under such provisions of the SFO); (b) required to be recorded in the register required to be kept under section 352 of the SFO; or (c) 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

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

Notes:

1. 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.
2. 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 2020, 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 during the six months ended 30 June 2020 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 2020, the following persons (other than Directors or chief executive of the Company whose interests are disclosed under the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above) have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as required to be 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 2020, 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 2020 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 2020, which have been approved by the Board on 13 August 2020 prior to its issuance. The Audit Committee is of the view that the unaudited condensed interim consolidated financial information for the six months ended 30 June 2020 are in compliance with the applicable accounting standards, the GEM Listing Rules and other legal requirements, and that sufficient disclosure has been made.

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 during the six months ended 30 June 2020 and up to the date of this report.

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 June 2020 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. During the period 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 confirmed by First Shanghai Capital Limited ("**First Shanghai**"), the Company's compliance adviser, save for the compliance adviser agreement entered into between the Company and First Shanghai dated 28 May 2019, none of First Shanghai or its directors, employees or close associates (as defined in the GEM Listing Rules) had any interest in the Group as at 30 June 2020 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, 13 August 2020

As at the date of this report, the executive Directors are Mr. Wong Kai Hung Kelvin and Mr. Xi Bin, the non-executive Director is 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.