



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)

FIRST QUARTERLY REPORT

2021

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

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This report, for which the directors (“**Directors**”) of ST International Holdings Company Limited (“**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 (“**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

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

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 54, Hopewell Centre
183 Queen's Road East, Hong Kong

Auditor

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

Legal Advisor

LCH Lawyers LLP
Room 702, Admiralty Centre Tower One
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

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden 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\$14,320,000 and HK\$4,681,000 for the three months ended 31 March 2021, representing a significant increase of approximately 47.6% and 147.5% respectively compared with revenue and gross profit of approximately HK\$9,705,000 and HK\$1,891,000, respectively, for the three months ended 31 March 2020. The Directors mainly attribute such significant increase in revenue to the steady economic recovery in the People's Republic of China ("**PRC**") from the global outbreak of the novel coronavirus pandemic ("**COVID-19**") during the first quarter of 2021 when compared with 2020. During the first quarter of 2020, the implementation of various aggressive and preventive control measures for COVID-19 by the government of the PRC resulted in a temporary suspension of operation of the Group and the business operations of the Group's customers and thus a significant drop in the purchase orders received from customers of the Group. Increase in gross profit margin (from 19.5% to 32.7%) for the three months ended 31 March 2021 was mainly attributable to the relatively stable incurrence of the research and development expenses and other overhead costs while experiencing a rebound in revenue during the period ended 31 March 2021.

As a result of the foregoing, the Group made a net profit after tax of HK\$920,000 for the three months ended 31 March 2021 when compared with a net loss after tax of HK\$4,376,000 for the three months ended 31 March 2020.

The board of Directors ("**Board**") does not recommend the payment of a dividend for the three months ended 31 March 2021 (three months ended 31 March 2020: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2021

	Notes	Three months ended 31 March	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	14,320	9,705
Cost of sales		(9,639)	(7,814)
Gross profit		4,681	1,891
Other income		573	721
Selling and distribution expenses		(642)	(1,099)
Administrative and other expenses		(3,212)	(5,866)
Finance costs	6	(312)	(23)
Profit (loss) before tax		1,088	(4,376)
Income tax expenses	7	(168)	–
Profit (loss) for the period	8	920	(4,376)
Other comprehensive expense for the period			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		(691)	(2,094)
Total comprehensive income/(expenses) for the period		229	(6,470)

		Three months ended	
		31 March	
		2021	2020
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to owners of the Company		920	(4,376)
Total comprehensive income (expense) for the period attributable to owners of the Company		229	(6,470)
Earnings (loss) per share – Basic and Diluted (<i>HK\$ cents</i>)	<i>9</i>	0.19	(0.91)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2021

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000 (Note a)	Retained earnings HK\$'000	Fair value reserve HK\$'000	Exchange reserve HK\$'000 (Note b)	
At 1 January 2020 (audited)	4,800	53,389	1,824	5,797	109,543	-	(8,049)	167,304
Loss for the period	-	-	-	-	(4,376)	-	-	(4,376)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(2,094)	(2,094)
Total comprehensive expense for the period	-	-	-	-	(4,376)	-	(2,094)	(6,470)
At 31 March 2020 (unaudited)	4,800	53,389	1,824	5,797	105,167	-	(10,143)	160,834
At 1 January 2021 (audited)	4,800	48,589	1,824	5,926	115,525	(119)	2,265	178,810
Profit for the period	-	-	-	-	920	-	-	920
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(691)	(691)
Total comprehensive income for the period	-	-	-	-	920	-	(691)	229
At 31 March 2021 (unaudited)	4,800	48,589	1,824	5,926	116,445	(119)	1,574	179,039

Notes:

(a) 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 accumulated losses or to increase 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.

(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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 31 March 2021

1. GENERAL INFORMATION

ST International Holdings Company Limited 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 on 16 May 2018 ("**Share Offer**").

The parent and ultimate holding company of the Company is Cosmic Bliss Investments Limited ("**Cosmic Bliss**"), a company incorporated in the British Virgin Islands ("**BVI**"). The ultimate controlling party is Mr. Wong Kai Hung, Kelvin ("**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 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 unaudited condensed consolidated financial statements for the three months ended 31 March 2021 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the GEM Listing Rules. The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated financial statements for the three months ended 31 March 2021 are consistent with those adopted in the annual report for the year ended 31 December 2020 except for the adoption of new or revised HKFRSs which include HKFRSs, Hong Kong Accounting Standards ("**HKASs**"), amendments and interpretations issued by the HKICPA effective for the Group's financial year beginning on 1 January 2021.

3. PRINCIPAL ACCOUNTING POLICIES

In the current period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, Interest Rate Benchmark Reform-Phase 2
HKFRS 4 and HKFRS 16

The Group has early applied Amendment to HKFRS 16, COVID-19-Related Rent Concessions with a date of initial application of 1 January 2020. The application of amendments to HKFRSs in the current 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 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:

	Three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products		
– Sales of functional knitted fabrics	12,591	3,160
– Sales of apparel	1,729	2,011
– Sales of yarns	–	4,534
	14,320	9,705

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 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 current period contributing over 10% of the total revenue of the Group is as follows:

	Three months ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	5,070	792
Customer B	5,061	1,712
Customer C	2,378	86

6. FINANCE COSTS

	Three months ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interests on bank borrowing and overdrafts	285	–
Interest on lease liabilities	27	23
	312	23

7. INCOME TAX EXPENSES

	Three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax ("EIT")	163	–
Deferred taxation	5	–
	168	–

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the three months ended 31 March 2021 and 2020.

No provision for Hong Kong Profits Tax has been made as the subsidiary in Hong Kong has no assessable profits for the three months ended 31 March 2021 and 2020.

Under the Law of the PRC on Enterprise Income Tax ("EIT Law") and implementation regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008.

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 concessionary rate of 15%.

Two of the Group's subsidiaries registered in the PRC are qualified under the Notice of Comprehensive Tax Relief for Small and Micro Enterprises recognised as small and micro enterprises which have been granted tax concession by the PRC tax bureau and are entitled to PRC enterprise income tax at concessionary rate of 5% for the less than RMB1,000,000 taxable income during the reporting period.

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.

8. PROFIT FOR THE PERIOD

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

	Three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Staff costs, excluding directors' emoluments:		
Salaries, allowances and other benefits	2,766	4,349
Contributions to retirement benefits scheme	238	87
	3,004	4,436
Cost of inventories recognised as an expense	7,189	5,707
Depreciation of plant and equipment	719	463
Depreciation charge on right-of-use assets	318	219
Interest income	(25)	(210)
Expenses relating to short-term leases	11	50
Research and development expenses (<i>note</i>)	1,265	935

Note:

The research and development expenses disclosed herein excluded salaries, allowances and other benefits of approximately HK\$766,000 and HK\$838,000 and contributions to retirement benefits scheme of approximately HK\$61,000 and HK\$38,000 for the period ended 31 March 2021 and 2020 respectively which had been included in salaries, allowances and other benefits and contributions to retirement benefits scheme disclosed above.

9. EARNINGS (LOSS) PER SHARE

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

	Three months ended 31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (Loss) attributable to equity shareholders of the Company	920	(4,376)
	Three months ended 31 March	
	2021	2020
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	480,000	480,000

Diluted earnings (loss) per share were the same as basic earnings (loss) per share as there were no potential dilutive ordinary shares outstanding for the three months ended 31 March 2021 and 2020.

10. DIVIDENDS

No dividend was paid or proposed during the three months ended 31 March 2021 and 2020, nor has any dividend been proposed since the end of the reporting period.

11. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

Related parties	Nature of transactions	Three months ended 31 March	
		2021 HK\$'000	2020 HK\$'000
Zhongshan Da Chong Elastic Thread Factory Ltd. * (Note 1)	Purchase of yarns	9	179
Proudy Limited (Note 2)	Consultancy services	44	477

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 three months ended 31 March 2021 were made on terms mutually agreed by the Group and the related party and with reference to the prevailing market prices of the materials under the purchase agreement.
- (2) The consultancy agreement was entered into 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 to the Group. Such consultancy agreement was negotiated on arm's length basis and the terms thereof were on normal commercial terms.

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

(b) Banking facilities

Mr. Xi Bin, an executive Director, has provided personal guarantee for the bank borrowings of approximately HK\$28,000,000 to the Group for the period ended 31 March 2021 (31 March 2020: Nil).

(c) Compensation of key management personnel

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

	Three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	851	844
Post-employment benefits	14	10
	865	854

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the unaudited condensed consolidated financial information of the Group for the three months ended 31 March 2021, together with the comparative figures for the corresponding period in 2020.

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 three months ended 31 March 2021, the Group's business and operation were recovering from the adverse impact of COVID-19 which had affected the Group since early 2020. During the three months ended 31 March 2020, the implementation of various draconian and preventive control measures by the government of the PRC have resulted in a temporary suspension of operation of the Group and the business operations of the Group's customers and thus a significant drop in purchase orders received from customers of the Group. As a result of the market recovery from COVID-19 and the less stringent preventive control measures in the first quarter of 2021, the Group's revenue rebounded by approximately 47.6% when compared with the corresponding period in 2020. The management of the Company has been closely monitoring the momentum of market recovery and the pandemic development and has implemented tightened cost control measures during the reporting period.

Amid the steadily recovering market and business environment from the impact of 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. The Group will also focus on the following business strategies: (i) to strengthen the Group's market position in the PRC by improving its product offering; and (ii) to strengthen the Group's marketing efforts.

Financial Review

Revenue

The following table set forth an analysis of our revenue by products during the three months ended 31 March 2021 and 2020.

	Three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
Sales of functional knitted fabrics	12,591	3,160
Sales of apparel	1,729	2,011
Sales of yarns	–	4,534
	14,320	9,705

The Group's revenue increased by approximately HK\$4,615,000 or 47.6%, from approximately HK\$9,705,000 for the three months ended 31 March 2020 to approximately HK\$14,320,000 for the three months ended 31 March 2021. The increase was mainly due to the significant increase in revenue from the sales of functional knitted fabrics as a result of the increase in sales orders from customers when compared with the corresponding period in 2020, when the business operations of the Group's customers were temporarily suspended due to the global outbreak of COVID-19.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$2,790,000 or 147.5%, from approximately HK\$1,891,000 for the three months ended 31 March 2020 to approximately HK\$4,681,000 for the three months ended 31 March 2021 which was mainly caused by the increase in sales orders. The gross profit margin increased by approximately 13.2 percent points from approximately 19.5% for the three months ended 31 March 2020 to approximately 32.7% for the three months ended 31 March 2021. The increase in gross profit margin was mainly due to relatively stable incurrence of the research and development expenses and other overhead costs notwithstanding an increase in revenue during the three months ended 31 March 2021 compared with the corresponding period in 2020.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately HK\$457,000, or 41.6%, from approximately HK\$1,099,000 for the three months ended 31 March 2020 to approximately HK\$642,000 for the three months ended 31 March 2021 which was mainly due to the decrease of staff cost as a result of delayed announcement of discretionary bonus in 2021 as well as the decrease in marketing and exhibition, travelling and entertainment expenses compared with the three months ended 31 March 2020.

Administrative and other expenses

The Group's administrative and other expenses decreased by approximately HK\$2,654,000, or 45.2%, from approximately HK\$5,866,000 for the three months ended 31 March 2020 to approximately HK\$3,212,000 for the three months ended 31 March 2021. The decrease was mainly due to (a) a decrease in staff wages of approximately HK\$1.3 million by reason of delayed announcement of discretionary bonus in 2021; (b) a decrease in legal and professional expenses of approximately HK\$0.7 million by reason of the absence of certain investor relations, professional and consultancy services for the first quarter of 2021 when compared with that of 2020; and (c) a decrease in entertainment, staff welfare and training expenses of approximately HK\$0.6 million as a result of cost control measures.

Income tax expenses

For the three months ended 31 March 2021 and 2020, the income tax expenses were HK\$168,000 and approximately nil, respectively, and our effective tax rate for the same period was approximately 15.4% and 0%, respectively. The income tax expenses were nil for the three months ended 31 March 2020 since there was no assessable profit.

Profit for the period attributable to owners of the Company

As a result of the foregoing, the profit attributable to the owners of the Company was approximately HK\$920,000 for the three months ended 31 March 2021 compared with the loss of approximately HK\$4,376,000 for the three months ended 31 March 2020.

Dividend

The Board does not recommend the payment of any dividend for the three months ended 31 March 2021 (three months ended 31 March 2020: Nil).

Future Plans for Material Investments and Capital Assets

Save as disclosed in the prospectus of the Company dated 30 April 2018, the Group does not have other plans for material investments and capital assets. Reference is also made to the announcement of the Company dated 11 August 2020 and the 2020 annual report of the Company relating to the delay in timeline and revised allocation of the actual application of the net proceeds from the Share Offer.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

For the three months ended 31 March 2021, the Group did not have any material acquisitions or disposals of subsidiaries or affiliated companies.

Significant Investment Held

The Group did not hold any significant investments during the three months ended 31 March 2021.

Commitments and Contingent Liabilities

As at 31 March 2021, the Group had no material capital commitments and contingent liabilities.

Employees and Remuneration Policies

As at 31 March 2021, the Group had 80 employees (31 March 2020: 74) and most of them were working in our Dongguan office. We incurred staff costs inclusive of salaries, allowances and other benefits, contributions to retirement benefits scheme, performance related bonus, discretionary bonus and Directors' remuneration in the aggregate amount of approximately HK\$3,869,000 and HK\$5,290,000 for the three months ended 31 March 2021 and 2020, 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.

Loan Agreements with Covenant Relating to Special Performance of the Controlling Shareholders

On 25 February 2021, Smart Team Textiles Technology Limited ("**Smart Team**"), a wholly-owned subsidiary of the Company, as borrower; Bank of China (Hong Kong) Limited, as lender ("**BOC Bank**"); and each of the Company and Mr. Wong Kai Hung Kelvin ("**Mr. Wong**"), an executive Director, chairman of the Board and a controlling shareholder of the Company, as guarantor, entered into a banking facility letter ("**Facility Letter**") in relation to the general banking facilities granted under the SME Financing Guarantee Scheme guaranteed by the HKMC Insurance Limited. The Facility Letter is comprising of a revolving loan facility of up to HK\$10,000,000 and an overdraft facility of up to HK\$8,000,000. According to the terms of the Facility Letter, all amounts borrowed thereunder shall be repaid every 12 months after the date of each drawdown and the amount borrowed shall be used to finance the acquisition of assets or as general working capital for business operation.

Pursuant to the Facility Letter, certain specific performance covenants are imposed on Mr. Wong, (i) to remain as the chairman of the Board or an executive Director; and (ii) together with his family member(s) shall remain as the largest shareholder of the Company, directly or indirectly.

As at the date of this report, Mr. Wong's owns, indirectly, 75% of the issued share capital of the Company.

Please refer to the announcement of the Company dated 25 February 2021 for more details.

Breach of Loan Agreement

Under a loan agreement dated 20 April 2020 ("**Loan Agreement**") entered into between Guangdong Smart Team Textiles Technology Co., Ltd ("**Guangdong Smart Team**"), a wholly-owned subsidiary of the Company as the borrower and 中國建設銀行股份有限公司東莞市分行 (Dongguan Branch of China Construction Bank*) ("**CCB**") as the lender in relation to a loan with an aggregate principal amount of RMB18 million ("**Loan**"), Guangdong Smart Team is required to, among others, satisfy certain financial covenants, failure to perform or comply with any of those financial covenants entitles CCB to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan Agreement immediately due and payable.

One of the covenants under the Loan Agreement stipulates that the net profit of Guangdong Smart Team for FY2020 shall not be lower than the net profit for FY2019 by 50% ("**Net Profit Undertaking**"). As the business performance of Guangdong Smart Team has been, to a certain extent, adversely affected by the coronavirus pandemic and the downward economy in FY2020, the net profit of Guangdong Smart Team for FY2020 decreased by around 73% as compared to FY2019. Guangdong Smart Team therefore failed to fulfill the Net Profit Undertaking for FY2020 and hence breached the Loan Agreement. According to the Loan Agreement, CCB is entitled to, among others, declare the outstanding principal amount, accrued interest and all other sums payable under the Loan Agreement immediately due and payable.

Up to the date of this report, Guangdong Smart Team has yet to receive any waiver nor any demand for the immediate repayment from CCB in respect of the breach as mentioned above. It is the plan of Guangdong Smart Team to repay the Loan in full in May 2021.

Please refer to the announcement of the Company dated 10 March 2021 for more details.

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 31 March 2021, 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 the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**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 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 Positions in the Shares or the ordinary shares of the associated corporations 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 ")	The Company	Interest in a controlled corporation	360,000,000 Shares (<i>Note 1</i>)	75.00%
Mr. Wong	Cosmic Bliss Investments Limited (" Cosmic Bliss ") (<i>Note 2</i>)	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 the Company. Cosmic Bliss is wholly owned by Mr. Wong.

Save as disclosed above, as at 31 March 2021, none of the Directors or chief executive 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 three months ended 31 March 2021 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 of the Company

So far as is known to any Directors or chief executive of the Company, as at 31 March 2021, 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 interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Division 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)	The Company	Beneficial owner	360,000,000 Shares	75.00%
Ms. Kwan, Vivian Wun-kwan (Note 2)	The Company	Interest of spouse	360,000,000 Shares	75.00%

Notes:

- 1 The entire issued share capital of Cosmic Bliss is wholly owned by Mr. Wong, an 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 in which Mr. Wong is interested or deemed to be interested.

Save as disclosed above, as at 31 March 2021, 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 three months ended 31 March 2021 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 ("**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 ("**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 and 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 consolidated financial information for the three months ended 31 March 2021, which have been approved by the Board on 13 May 2021 prior to its issuance. The Audit Committee is of the view that the unaudited condensed consolidated financial information for the three months ended 31 March 2021 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 ("**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 three months ended 31 March 2021 and up to the date of this report.

Purchase, Sale or Redemption of Listed Securities of the Company

During the three months ended 31 March 2021 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 under review and up to the date of this report, the Company has complied with all applicable code provisions of the CG Code.

For and on behalf of the Board
ST International Holdings Company Limited
Wong Kai Hung Kelvin
Chairman

Hong Kong, 13 May 2021

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.