

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

2021

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 (“**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.

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	20

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

Auditor

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

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\$64,668,000 and HK\$17,611,000 respectively for the six months ended 30 June 2021, representing an increase of approximately 53.7% and 31.7% respectively when compared with revenue and gross profit of approximately HK\$42,086,000 and HK\$13,367,000 for the six months ended 30 June 2020. The Directors 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 half of 2020, the implementation of various aggressive measures for the prevention of COVID-19 by the PRC government 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 by the Group. The Company also recorded a decrease in gross profit margin for the six months ended 30 June 2021 to 27.2% (six months ended 30 June 2020: 31.8%) which was mainly attributable to the increase in the cost of raw materials and the more competitive pricing of the products offered by the Group under the challenging environment.

As a whole, the Group made a net profit after tax of approximately HK\$6,190,000 for the six months ended 30 June 2021 when compared with a net profit after tax of approximately HK\$1,227,000 for the six months ended 30 June 2020.

The board of Directors ("**Board**") does not recommend the payment of a dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	50,348	32,381	64,668	42,086
Cost of sales		(37,418)	(20,905)	(47,057)	(28,719)
Gross profit		12,930	11,476	17,611	13,367
Other income		897	662	1,470	1,383
Selling and distribution expenses		(1,206)	(724)	(1,848)	(1,823)
Administrative and other expenses		(6,280)	(4,863)	(9,492)	(10,729)
Finance costs	6	(463)	(116)	(775)	(139)
Profit before tax		5,878	6,435	6,966	2,059
Income tax	7	(608)	(832)	(776)	(832)
Profit for the period	8	5,270	5,603	6,190	1,227
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		2,962	(810)	2,271	(2,904)
Total comprehensive income (expense) for the period		8,232	4,793	8,461	(1,677)
Profit for the period attributable to Owners of the Company		5,270	5,603	6,190	1,227
Total comprehensive income (expenses) for the period attributable to Owners of the Company		8,232	4,793	8,461	(1,677)
Earnings per share – basic and diluted (HK\$ cents)	9	1.10	1.17	1.29	0.26

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	10	28,533	29,134
Deferred tax assets		2,054	2,056
Right-of-use assets		2,347	2,315
Financial asset at fair value through other comprehensive income		474	469
		33,408	33,974
Current assets			
Inventories		55,347	36,543
Trade and bills receivables	11	90,291	75,419
Deposits, prepayments and other receivables	11	51,067	31,886
Pledged bank deposits		3,004	2,971
Bank balances and cash		26,761	38,996
		226,470	185,815
Current liabilities			
Trade payables	12	11,782	4,640
Other payables and accruals	12	5,191	8,309
Contract liabilities		5,189	2,241
Lease liabilities		1,083	880
Bank borrowings	13	47,062	21,387
Bank overdraft	13	81	862
Tax payable		1,159	1,013
		71,547	39,332
Net current assets			
		154,923	146,483
Non-current liabilities			
Deferred tax liability		–	400
Lease liabilities		1,060	1,247
		1,060	1,647
NET ASSETS			
		187,271	178,810
Capital and reserves			
Share capital	14	4,800	4,800
Reserves		182,471	174,010
TOTAL EQUITY			
		187,271	178,810

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company							Non - controlling interests		
	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Statutory reserve HK\$'000 (Note a)	Retained earnings HK\$'000	Fair value reserve HK\$'000	Exchange reserve HK\$'000 (Note b)	Total HK\$'000	Total HK\$'000	
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
At 1 January 2021 (audited)	4,800	48,589	1,824	5,926	115,525	(119)	2,265	178,810	-	178,810
Profit for the period	-	-	-	-	6,190	-	-	6,190	-	6,190
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	2,271	2,271	-	2,271
Total comprehensive income (expenses) for the period	-	-	-	-	6,190	-	2,271	8,461	-	8,461
At 30 June 2021 (unaudited)	4,800	48,589	1,824	5,926	121,715	(119)	4,536	187,271	-	187,271

Notes:

(a) Statutory reserve

According to the People's Republic of China ("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.

(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 2021

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(35,260)	(26,983)
INVESTING ACTIVITIES		
Acquisition of plant and equipment	(860)	(137)
Proceeds from disposal of plant and equipment	–	426
Interest received	11	342
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(849)	631
FINANCING ACTIVITIES		
New bank borrowings raised	25,400	19,875
Payment of lease liabilities	(716)	(626)
Government grants received	–	963
Dividends paid to owners of the Company	–	(4,800)
Interest paid	(717)	(99)
NET CASH FROM FINANCING ACTIVITIES	23,967	15,313
NET DECREASE IN CASH AND CASH EQUIVALENTS	(12,142)	(11,039)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	38,134	55,155
Effect of foreign exchange rate changes	688	(1,289)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	26,680	42,827

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. GENERAL INFORMATION

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

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 ("**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 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 ("**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 2020 ("**2020 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 2020 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 2021. 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 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, Interest Rate Benchmark Reform – Phase 2
HKAS 39, HKFRS 4 and HKFRS 16

The Group has early adopted 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 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.

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15				
Disaggregated by major products				
– Sales of functional knitted fabrics	48,499	29,341	61,090	32,501
– Sales of apparel	1,849	2,744	3,578	4,755
– Sales of yarns	–	296	–	4,830
	50,348	32,381	64,668	42,086

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Customer A	22,247	12,655	27,308	14,367
Customer B	8,861	4,456	13,931	5,248

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interests on:				
– Bank borrowings and overdrafts	439	98	724	98
– Lease liabilities	24	18	51	41
	463	116	775	139

7. INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Current tax:				
PRC Enterprise Income Tax ("EIT")	1,008	309	1,171	309
Deferred taxation	(400)	523	(395)	523
	608	832	776	832

Hong Kong profit tax is calculated at 16.5% on the estimated assessable profit for the six months ended 30 June 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 six months ended 30 June 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 a concessionary rate of 15%.

Two of the Group's subsidiaries established 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 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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Staff costs, excluding directors' emoluments:				
Salaries, allowances and other benefits	2,946	2,755	5,712	7,104
Contributions to retirement benefit scheme	242	102	480	189
	3,188	2,857	6,192	7,293
Cost of inventories recognised as an expense	37,379	18,702	44,568	24,409
Depreciation of plant and equipment	1,076	424	1,795	887
Depreciation of right-of-use assets	322	358	640	577
Interest income	(7)	(132)	(11)	(342)
Expenses relating to short-term leases	12	49	23	99
Research and development expenses (note)	1,283	1,174	2,548	2,109
Exchange loss, net	(4)	48	(7)	48

Note: The research and development expenses disclosed herein excluded salaries, allowances and other benefits of approximately HK\$1,524,000 and HK\$1,474,000, and contributions to retirement benefit scheme of approximately HK\$120,000 and HK\$31,000 for the periods ended 30 June 2021 and 2020 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	
	2021	2020
	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	6,190	1,227
	30 June 2021	30 June 2020
	'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 2021 and 2020.

10. PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired plant and equipment of approximately HK\$860,000 (six months ended 30 June 2020: approximately HK\$20,539,000).

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

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Trade receivables	90,092	75,460
Bills receivables	240	–
	90,332	75,460
Less: allowance for impairment on trade receivables	(41)	(41)
	90,291	75,419
Other receivables	7,977	5,035
Prepayments	42,967	26,698
Deposits	123	153
	51,067	31,886

The Group allows a credit period of 30 to 120 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, net of allowance for impairment loss, presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Within 30 days	42,916	39,048
31 to 60 days	1,086	32,608
61 to 90 days	149	3,222
91 to 180 days	4	–
181 to 365 days	46,136	–
More than 1 year	–	541
	90,291	75,419
Total	90,291	75,419

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Trade payables	11,782	4,640
Other payables and accruals		
Accrued expenses	1,260	1,774
Other payables	159	255
Other tax payables	3,772	6,280
	5,191	8,309
	16,973	12,949

The credit period granted by the Group ranges 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 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Within 30 days	10,832	3,930
31 to 60 days	944	577
61 to 90 days	2	25
91 to 180 days	1	1
More than 180 days	3	107
Total	11,782	4,640

13. BANK BORROWINGS

	30 June 2021 <i>HK\$'000</i> (Unaudited)	31 December 2020 <i>HK\$'000</i> (Audited)
Bank overdraft	81	862
Secured bank borrowing	47,062	21,387
	47,143	22,249

For the six months ended 30 June 2021, the Group obtained new bank borrowings of approximately HK\$47,062,000. The bank borrowings of a PRC subsidiary amounting to approximately HK\$42,062,000 were secured by a personal guarantee provided by Mr. Xi Bin, a director of the Company while the bank borrowing of a Hong Kong subsidiary amounting to HK\$5,000,000 was secured by a personal guarantee provided by Mr. Wong Kai Hung Kelvin, a director of the Company.

During the year ended 31 December 2020, one of the subsidiaries of the Company has breached a loan covenant under the loan agreement with a principal amount of approximately HK\$21,387,000 granted by a bank to the Group and the subsidiary did not receive any waiver nor any demand for the immediate repayment from the lender. The loan was fully repaid in May 2021.

14. SHARE CAPITAL

(a) Dividends

The Board has resolved not to declare interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

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

	Six months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Final dividend in respect of the previous financial year, approved and paid during the interim period, of nil per share (six months ended 30 June 2020: 1 HK cent per share)	–	4,800

15. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial information for the six months ended 30 June 2021, the Group has the following transactions with related parties:

(a) Transactions with related parties

Related party	Nature of transaction	Six months ended 30 June	
		2021 HK\$'000	2020 HK\$'000
Zhongshan Da Chong Elastic Thread Factory Ltd.* (Note 1)	Purchase of yarns	11	443
Proudy Limited (Note 2)	Consultancy services	256	674

Note:

- (1) Purchases of yarns 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 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. 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	
		2021 HK\$'000	2020 HK\$'000
Prepayment			
Proudy Limited	Consultancy services	113	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\$42,062,000 and HK\$19,706,000 to the Group for the periods ended 30 June 2021 and 2020, respectively.

Mr. Wong Kai Hung Kelvin, an executive Director, has provided personal guarantee for the bank borrowings of HK\$5,000,000 to the Group for the period ended 30 June 2021 (2020: HK\$Nil).

(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	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	1,701	1,867
Post-employment benefits	27	21
	1,728	1,888

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

16. SEASONALITY OF OPERATIONS

The Group is expected to record a higher revenue and operating profits in the second half of the year as compared with the first half of the year 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 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 six months ended 30 June 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 six months ended 30 June 2020, the Group and its customers experienced a temporary suspension of business operations due to the implementation of various aggressive measures for the prevention of COVID-19 by the government of the People's Republic of China ("PRC") and thus there was a significant drop of purchase orders received by the Group. As a result of the gradual economic recovery from COVID-19 and the less stringent preventive control measures adopted by the PRC government in the first half of 2021, the Group's revenue rebounded by approximately 53.7% when compared with the corresponding period in 2020. The management of the Company has been closely monitoring the momentum of the 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 nevertheless continue to devote resources towards the research and development of functional knitted fabrics as well as the dyeing methodology to strengthen its market competitiveness. In addition, the Group will also focus on strengthening the Group's market position in the PRC by improving its product offering and strengthening the Group's marketing efforts so as to bring better investment returns to the shareholders of the Company.

Financial Review

Revenue

The following table set forth an analysis of our revenue by products during the six months ended 30 June 2021 and 2020.

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Sales of functional knitted fabrics	61,090	32,501
Sales of apparel	3,578	4,755
Sales of yarns	–	4,830
	64,668	42,086

The Group's revenue increased by approximately HK\$22,582,000, or 53.7%, from approximately HK\$42,086,000 for the six months ended 30 June 2020 to approximately HK\$64,668,000 for the six months ended 30 June 2021. The increase was mainly due to the significant increase in sales of functional knitted fabrics which was resulted from the increase in sales orders from the customers when compared with the corresponding period in 2020 when the business operations of the Group's customers were temporarily suspended due to outbreak of COVID-19.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$4,244,000, or 31.7%, from approximately HK\$13,367,000 for the six months ended 30 June 2020 to approximately HK\$17,611,000 for the six months ended 30 June 2021, which was mainly caused by the increase in sales orders. The gross profit margin decreased by approximately 4.5 percentage points from approximately 31.8% for the six months ended 30 June 2020 to approximately 27.2% for the six months ended 30 June 2021. The decrease in gross profit margin was mainly due to the increase in the cost of raw materials and the more competitive pricing of the products offered by the Group under the challenging market environment.

Selling and distribution expenses

The Group's selling and distribution expenses slightly increased by approximately HK\$25,000, or 1.4%, from approximately HK\$1,823,000 for the six months ended 30 June 2020 to approximately HK\$1,848,000 for the six months ended 30 June 2021 which was mainly due to increase in advertising and exhibition expenses of about HK\$325,000, travelling expenses of about HK\$268,000 and increase in transportation expense of about HK\$134,000; partially offset by a decrease in staff wage of about HK\$714,000 due to delayed distribution of discretionary bonus and scaled down operation in Beijing and Shanghai.

Administrative and other expenses

The Group's administrative and other expenses decreased by approximately HK\$1,237,000, or 11.5%, from approximately HK\$10,729,000 for the six months ended 30 June 2020 to approximately HK\$9,492,000 for the six months ended 30 June 2021. The decrease was mainly caused by (i) a decrease in staff wages of approximately HK\$1.5 million by reason of delayed distribution of discretionary bonus until the second half of 2021; (ii) a decrease in entertainment, staff welfare and training expenses of approximately HK\$0.9 million as a result of cost control measures; and (iii) partially offset by an increase in depreciation of the machineries of approximately HK\$1.0 million.

Income tax expenses

For the six months ended 30 June 2021 and 2020, the income tax expenses were approximately HK\$776,000 and HK\$832,000, respectively, and the effective tax rate for the same period was approximately 11.1% and 40.4%, respectively. Significant decrease in effective tax rate was mainly attributable to (i) the reversal of deferred tax liabilities of HK\$400,000 related to withholding tax on undistributed earnings of a PRC subsidiary as there is currently no plan for distribution of dividend from subsidiaries in PRC to subsidiaries outside PRC; and (ii) the Group's profit before tax for corresponding period in 2020 being partially offset by the loss before tax incurred by some of subsidiaries. Excluding the loss before tax incurred by these subsidiaries, the effective tax rate for the 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 increased from HK\$1,227,000 for the six months ended 30 June 2020 to approximately HK\$6,190,000 for the six months ended 30 June 2021.

Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

Liquidity, Financial Resources and Capital Structure

During the six months ended 30 June 2021, the Group financed its operation mainly through cash generated from our operating activities and banking facilities. As at 30 June 2021, the Group had cash and cash equivalents of approximately HK\$26,761,000 (as at 31 December 2020: HK\$38,996,000) and bank borrowings of approximately HK\$47,062,000 (as at 31 December 2020: HK\$21,387,000).

As at 30 June 2021, the bank borrowings included secured interest-bearing bank loans of approximately HK\$47,062,000 (31 December 2020: HK\$21,387,000). One of the bank loans amounting to HK\$42,062,000 (31 December 2020: HK\$21,387,000), denominated in RMB, was secured by a personal guarantee provided by Mr. Xi Bin, a director of the Company and another bank loan amounting to HK\$5,000,000 (31 December 2020: Nil), denominated in Hong Kong dollar, was secured by a personal guarantee provided by Mr. Wong Kai Hung Kelvin, a director of the Company. All the bank borrowings are revolving loans and are at variable interest rate ranging from 2.5% to 4.2% (31 December 2020: 4.35%).

The quick ratio of the Group as at 30 June 2021 was approximately 2.39 times (30 June 2020: approximately 2.54 times; 31 December 2020: approximately 7.3 times). The quick ratio of the Group as at 30 June 2021 was approximately the same as 30 June 2020. Decrease of quick ratio of 30 June 2021 when compared with 31 December 2020 was mainly due to the increase in bank borrowings of HK\$25,675,000.

As at 30 June 2021, 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 and bank overdraft as at the respective financial period end date divided by total equity as at the respective corresponding period end date was approximately 25.2% as at 30 June 2021 (31 December 2020: 12.3%). Increase in gearing ratio was caused by increase in bank borrowings of HK\$25,675,000 during the period ended 30 June 2021 when compared with the year ended 31 December 2020.

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 2021. 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. Reference is also made to the announcement of the Company dated 11 August 2020 and the annual report of the Company for the year ended 31 December 2020 ("**2020 Annual Report**") 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 Associated Companies

For the six months ended 30 June 2021, 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 2021.

Commitments and Contingent Liabilities

As at 30 June 2021, the Group had no material capital commitments and contingent liabilities.

Charge on Group's Assets

The Group had pledged deposits of HK\$3,004,000 (30 June 2020: HK\$2,791,000) to secure general banking facilities granted to the Group as at 30 June 2021. Save as disclosed above, as at 30 June 2021, the Group's bank borrowings were not secured by any of the Group's assets.

Employees and Remuneration Policies

As at 30 June 2021, the Group had 72 employees (30 June 2020: 76) 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\$7,920,000 and HK\$9,181,000 for the six months ended 30 June 2021 and 30 June 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. Please refer to the announcement of the Company dated 25 February 2021 for more details.

As at the date of this report, Mr. Wong remains as the chairman of the Board and owns, indirectly, 75% of the issued share capital of the Company.

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 2021.

Business objectives up to 30 June 2021 as

set out in the Prospectus and 2020 Annual Report

Actual implementation plan up to 30 June 2021

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
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 to develop a new research and development machines - The Group has recruited and retained five research and development technicians 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 and university for research and development - The Group has recruited two product testing personnel - The Group has acquired certain product testing facilities
Enhance our information technology infrastructure	<ul style="list-style-type: none"> - The Group is developing a new ERP and other supporting system

Use of Proceeds from the Share Offer

The Shares were listed on GEM operated by the Stock Exchange on 16 May 2018 (“**Listing Date**”). The net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately HK\$39,900,000.

Since the Listing Date till 30 June 2021, the net proceeds have been used by the Group in accordance with the section headed “Future Plans and Use of Proceeds” in the Prospectus, as updated and supplemented by the announcement of the Company dated 11 August 2020 in relation to the extended timeline for the use of unutilised proceeds as well as 2020 Annual Report in relation to the revised allocation of unutilised net proceeds and extended timeline for their utilisation.

The following table shows the remaining unutilised net proceeds up to 30 June 2021 and the Revised Timeline:

	Unutilised net proceeds up to 30 June 2021	Revised Timeline
	<i>HK\$'million</i>	
Engage in marketing activities through participation in trade shows, industry exhibitions and networking events	0.9	31 December 2022
Enhance our research and development resources	0.6	31 December 2021
Upgrade product testing facilities, expand testing centre and cooperate with research institutions and university	1.0	31 December 2021
Enhance our information technology infrastructure	0.4	31 December 2021
General working capital	0.5	31 December 2021
	<hr/>	
Total	3.4	

The Group will continue to use the unutilised net proceeds according to the revised allocation and the Revised Timeline. To the extent of the net proceeds of the Share Offer have not been utilised as at 30 June 2021, such unutilised net proceeds were deposited with licensed banks in Hong Kong.

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 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 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 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 (<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:

- 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 2021, 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 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

So far as is known to any Directors or chief executive of the Company, as at 30 June 2021, 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 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 six months ended 30 June 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*, 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 2021, which have been approved by the Board on 13 August 2021 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 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 six months ended 30 June 2021 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 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 and up to the date of this report, the Company has complied with all the applicable code provisions of the CG Code.

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

Hong Kong, 13 August 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.