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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)

2019 INTERIM RESULTS ANNOUNCEMENT

The board (“**Board**”) of directors (“**Directors**”) of ST International Holdings Company Limited (“**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited results of the Group for the six months ended 30 June 2019. This announcement, containing the full text of the 2019 interim report of the Company, complies with the relevant requirements of The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results.

On behalf of the Board

ST International Holdings Company Limited

Wong Kai Hung Kelvin

Chairman

Hong Kong, 13 August 2019

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Wong Kai Hung Kelvin and Mr. Xi Bin; one non-executive Director, namely, Mr. Hung Yuk Miu; and three independent non-executive Directors, namely Mr. Ng Wing Heng Henry, Mr. Sze Irons BBS JP and Mr. Fong Kin Tat.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading.

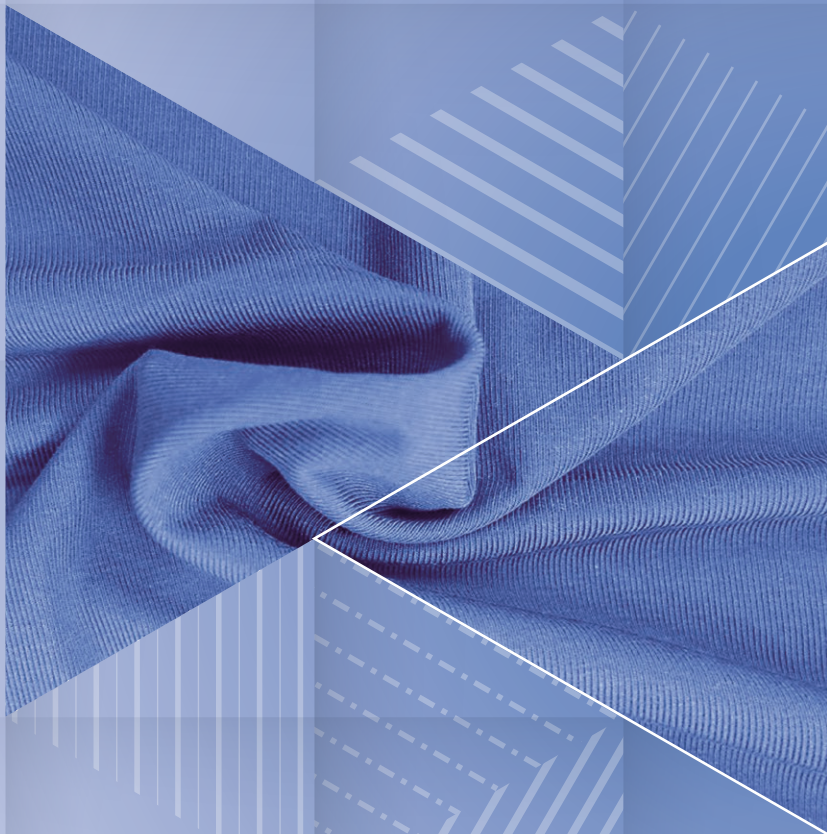
This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least seven days after the date of publication and on the Company’s website at www.smart-team.cn.

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Interim Report
2019

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.

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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

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P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

Headquarter and Principal Place of Business in Hong Kong

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Gloucester Road, Wan Chai, Hong Kong

Hong Kong Branch Share Registrar

Tricor Investor Services Limited
54/F, 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\$85,312,000 and HK\$29,573,000 respectively for the six months ended 30 June 2019, representing an increase of approximately 2.4% and decrease of approximately 16.5% respectively when compared with revenue and gross profit of approximately HK\$83,307,000 and HK\$35,433,000 for the six months ended 30 June 2018 which was mainly due to increase in sales orders from existing major customers and decrease in selling prices of certain products respectively during the six months ended 30 June 2019.

The net profit after tax of the Group for the six months ended 30 June 2019 increased by approximately 45.7% to approximately HK\$14,527,000 (six months ended 30 June 2018: HK\$9,969,000). It was mainly attributable to the combined effect of the absence of a one-off listing expenses of approximately HK\$10.9 million incurred during the six months ended 30 June 2018, which is partly offset by the decrease in gross profit of approximately 16.5% and a slight increase in other administrative expenses of approximately 6.7%.

The board of Directors (the **"Board"**) does not recommend the payment of a dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION



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

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

Introduction

We have reviewed the condensed interim consolidated financial information of ST International Holdings Company Limited (the “**Company**”) and its subsidiaries set out on pages 7 to 29, which comprise the condensed consolidated statement of financial position as of 30 June 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and other explanatory notes. The GEM Listing Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these condensed interim consolidated financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed interim consolidated financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed interim consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial information are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statement of profit or loss and other comprehensive income for each of the three-month period ended 30 June 2019 and 30 June 2018 and the relevant explanatory notes included in these condensed interim consolidated financial information have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

SHINEWING (HK) CPA Limited

Certified Public Accountants

Kwan Chi Fung

Practising Certificate Number: P06614

Hong Kong
13 August 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	5	62,379	61,860	85,312	83,307
Cost of sales		(40,127)	(33,416)	(55,739)	(47,874)
Gross profit		22,252	28,444	29,573	35,433
Other income		231	536	507	768
Selling and distribution expenses		(1,327)	(1,345)	(2,687)	(2,519)
Administrative and other expenses		(5,247)	(15,697)	(9,640)	(19,782)
Finance costs	7	(129)	(72)	(246)	(152)
Profit before tax		15,780	11,866	17,507	13,748
Income tax	8	(2,699)	(3,282)	(2,980)	(3,779)
Profit for the period	9	13,081	8,584	14,527	9,969
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		(3,009)	(4,096)	(858)	(1,323)
Total comprehensive income for the period		10,072	4,488	13,669	8,646
Profit (loss) for the period attributable to					
Owners of the Company		13,081	9,300	14,527	10,542
Non-controlling interests		-	(716)	-	(573)
		13,081	8,584	14,527	9,969
Total comprehensive income (expenses) for the period attributable to					
Owners of the Company		10,072	5,205	13,669	9,202
Non-controlling interests		-	(717)	-	(556)
		10,072	4,488	13,669	8,646
Earnings per share					
- basic and diluted (HK\$ cents)	10	2.73	2.21	3.03	2.70

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	12	5,729	5,979
Deposit paid for acquisition of plant and equipment		6,000	6,000
Deferred tax assets		1,742	1,742
Right-of-use assets	13	1,483	–
		14,954	13,721
Current assets			
Inventories		49,837	23,603
Trade and bills receivables	14	69,551	33,319
Deposits, prepayments and other receivables	14	41,995	27,392
Pledged bank deposits		6,103	6,078
Bank balances and cash		28,452	61,026
		195,938	151,418
Current liabilities			
Trade payables	15	29,939	3,307
Other payables and accruals	15	1,557	5,886
Contract liabilities		12,048	7,613
Lease liabilities	13	975	–
Bank borrowings	16	7,787	5,535
Income tax payable		6,453	4,873
		58,759	27,214
Net current assets		137,179	124,204
Non-current liabilities			
Deferred tax liability		1,030	1,030
Lease liabilities	13	539	–
		1,569	1,030
NET ASSETS		150,564	136,895
Capital and reserves			
Share capital	17	4,800	4,800
Reserves		145,764	132,506
Equity attributable to owners of the Company		150,564	137,306
Non-controlling interests		–	(411)
Total equity		150,564	136,895

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company						Non - controlling interests	Total	
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i> <i>(Note a)</i>	Statutory reserve <i>HK\$'000</i> <i>(Note b)</i>	Retained earnings <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>	<i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018 (audited)	-	-	335	4,941	51,126	539	56,941	(315)	56,626
Profit (loss) for the period	-	-	-	-	10,542	-	10,542	(573)	9,969
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(1,340)	(1,340)	17	(1,323)
Total comprehensive income (expense) for the period	-	-	-	-	10,542	(1,340)	9,202	(556)	8,646
Issue of shares <i>(Note 17)</i>	100	-	(100)	-	-	-	-	-	-
Contribution from shareholder <i>(Note a)</i>	-	-	2,000	-	-	-	2,000	-	2,000
Issue of shares pursuant to placing and public offering <i>(Note 17)</i>	1,200	68,400	-	-	-	-	69,600	-	69,600
Expenses incurred in connection with issue of new shares	-	(11,511)	-	-	-	-	(11,511)	-	(11,511)
Issue of shares by capitalisation of share premium account <i>(Note 17)</i>	3,500	(3,500)	-	-	-	-	-	-	-
Transfer to PRC statutory reserve	-	-	-	1,044	(1,044)	-	-	-	-
At 30 June 2018 (unaudited)	4,800	53,389	2,235	5,985	60,624	(801)	126,232	(871)	125,361
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 <i>(note 19)</i>	-	-	(411)	-	-	-	(411)	411	-
At 30 June 2019 (unaudited)	4,800	53,389	1,824	5,797	89,078	(4,324)	150,564	-	150,564

Notes:

(a) Capital reserves

Capital reserves represents (i) the difference between the consideration paid for acquisition of non-controlling interest of Dongguan Smart Union Textiles Technology Co., Ltd. (東莞聯兆紡織科技有限公司) ("**Smart Union**") and the carrying amount of the non-controlling interest; (ii) the contribution from the shareholder due to a deed of waiver dated 23 April 2018 executed by the shareholder and director of the Company, Mr. Wong Kai Hung Kelvin ("**Mr. Wong**") and a subsidiary of the Company, Smart Team Textiles Technology Limited ("**Smart Team**"), pursuant to which an outstanding sum in the amount of HK\$2,000,000 owed by Smart Team to Mr. Wong as at 30 April 2018 was irrevocably and unconditionally waived by Mr. Wong; (iii) the nominal value of the shares issued to acquire Smart Team; and (iv) the difference between the consideration paid for the acquisition of the non-controlling interest of Magic Team (Beijing) International Fashion Design Co., Ltd. (幻天(北京)國際服裝設計有限公司) and the carrying amount of the non-controlling interest.

(b) 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(34,254)	(8,645)
INVESTING ACTIVITIES		
Acquisition of plant and equipment	(567)	(899)
Decrease in pledged bank deposits	(25)	(38)
Interest received	132	233
NET CASH USED IN INVESTING ACTIVITIES	(460)	(704)
FINANCING ACTIVITIES		
Proceeds from issue of shares	–	69,600
New bank borrowings raised	2,316	4,744
Payment of lease liabilities	(526)	–
Government grants received	375	524
Share issued expenses	–	(11,511)
Repayment to a director	–	(7,411)
Repayment of bank borrowing	–	(3,000)
Interest paid	(193)	(152)
NET CASH FROM FINANCING ACTIVITIES	1,972	52,794
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(32,742)	43,445
CASH AND CASH EQUIVALENTS AT 1 JANUARY	61,026	3,119
Effect of foreign exchange rate changes	168	(934)
CASH AND CASH EQUIVALENTS AT 30 JUNE	28,452	45,630
Analysis of components of cash and cash equivalents		
Bank balances and cash	28,452	48,608
Bank overdrafts	–	(2,978)
	28,452	45,630

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2019

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 are 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 Chapter 18 of the GEM Listing Rules. This interim financial information does not include all the information and disclosures required in the annual financial statements and thereby should be read in conjunction with the annual financial statements for the year ended 31 December 2018 (the “2018 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 2018 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 2019.

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 2019:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

The adoption of HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed interim consolidated financial information. The new accounting policies are set out in note 4 below. The application of other 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.

3.1 Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 4. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The major impacts of the adoption of HKFRS 16 on the Group's condensed interim consolidated financial information are described below.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impacts on adoption of HKFRS 16 Leases (Continued)

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.65%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments.

The adoption of HKFRS 16 had no impact on the retained earnings.

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase HK\$'000 (Unaudited)
Assets	
Increase in right-of-use assets	1,082
Increase in total assets	1,082
Liabilities	
Increase in lease liabilities	1,082
Increase in total liabilities	1,082

3. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

3.2 **Practical expedients applied**

On the date of initial application of HKFRS 16, the Group has applied the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-4 Determining whether an Arrangement contains a Lease
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous by applying HKAS 37 as an alternative to performing an impairment review
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

4. **CHANGE IN ACCOUNTING POLICIES**

Leases

Definition of a lease

Under HKFR 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

4. **CHANGE IN ACCOUNTING POLICIES** *(Continued)*

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

4. **CHANGE IN ACCOUNTING POLICIES** *(Continued)*

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

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

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Plant and equipment" policy as stated in the Group's 2018 Financial Statements for the year ended 31 December 2018.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Administrative and other expenses" in the condensed consolidated statement of profit or loss and other comprehensive income.

5. 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15				
Disaggregated by major products				
Sales of functional knitted fabrics	59,637	61,860	79,622	81,320
Sales of apparel	2,333	481	5,281	1,965
Sales of other products	409	–	409	22
	62,379	62,341	85,312	83,307

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

6. 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 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Customer A	31,530	28,169	33,486	32,861
Customer B	13,270	13,926	14,625	14,111

7. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interests on:				
– Bank borrowings and overdrafts	105	72	193	152
– Lease liabilities (Note)	24	–	53	–
	129	72	246	152

Note:

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

8. INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
PRC Enterprise Income Tax ("EIT")	2,699	3,817	2,980	4,314
Deferred taxation	–	(535)	–	(535)
	2,699	3,282	2,980	3,779

No provision for Hong Kong Profits Tax has been made as there are no assessable profits for the six months ended 30 June 2019 and 2018.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulation of the EIT Law, the tax rate applicable to the subsidiaries of the Company established in the PRC is 25% for the six months ended 30 June 2019 and 2018.

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

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

9. 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	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Staff costs:				
Salaries, allowances and other benefits	4,778	7,481	7,580	10,373
Contributions to retirement benefits scheme	161	435	393	726
	4,939	7,916	7,973	11,099
Cost of inventories recognised as an expense	41,076	35,726	55,739	47,874
Depreciation of plant and equipment	316	249	747	462
Depreciation of right-of-use assets (note 2)	250	–	522	–
Interest income	(89)	(222)	(132)	(233)
Expenses in relation to the listing	–	10,226	–	10,856
Operating lease rentals in respect of rented premises	–	301	–	677
Expenses relating to short-term leases (note 2)	81	–	104	–
Research and development expenses (note 1)	373	830	2,155	2,644
Exchange loss, net	18	8	35	17

Note:

- (1) The research and development expenses disclosed herein excluded salaries, allowances and other benefits of approximately HK\$1,791,000 and HK\$1,551,000, and contributions to retirement benefits scheme of approximately HK\$87,000, and HK\$78,000 for the periods ended 30 June 2018 and 2019 respectively which had been included in salaries, allowances and other benefits disclosed above.
- (2) The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

10. 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 2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	14,527	10,542
	30 June 2019 '000	30 June 2018 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	480,000	390,497

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the six months ended 30 June 2018 have been retrospectively adjusted for the effects of the capitalisation issue pursuant to the reorganisation as described in the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 30 April 2018.

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 2019 and 2018.

11. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 June 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

12. PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired approximately HK\$567,000 (six months ended 30 June 2018: approximately HK\$899,000) of plant and equipment.

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

Upon adoption of HKFRS 16 using the modified retrospective method, on 1 January 2019, the Group recognised right-of-use assets of HK\$1,082,000 in respect of the leased properties. During the six months ended 30 June 2019, two leases of properties were signed, the Group recognised HK\$927,000 right-of-use assets. As at 30 June 2019, the carrying amounts of right-of-use assets were HK\$1,483,000 in respect of the leased properties.

(ii) Lease liabilities

Upon adoption of HKFRS 16, on 1 January 2019, the Group recognised lease liabilities of HK\$1,082,000. During the six months ended 30 June 2019, two leases of properties were signed, the Group recognised HK\$927,000 lease liabilities. As at 30 June 2019, the carrying amount of lease liabilities was HK\$1,514,000.

(iii) Amounts recognised in profit or loss

	For the six months ended 30 June 2019 HK\$'000
Depreciation expense on right-of-use assets	522
Interest expense on lease liabilities	53

(iv) Others

At 30 June 2019, the Group is committed to HK\$196,000 for short-term leases.

The total cash outflow for leases amount to HK\$655,000.

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade receivables	69,649	32,058
Bills receivables	–	1,359
	69,649	33,417
Less: allowance for impairment on trade receivables	(98)	(98)
	69,551	33,319
Other receivables	5,832	3,193
Prepayments	36,163	24,047
Deposits	–	152
	41,995	27,392

The Group allows credit period of 30 to 90 days to its trade customers. The Group does not hold any collateral over its trade and bills receivables. The following is an 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 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 30 days	56,165	8,394
31 to 60 days	10,226	11,063
61 to 90 days	2,187	7,061
91 to 180 days	19	5,712
More than 180 days	954	1,089
Total	69,551	33,319

15. TRADE AND OTHER PAYABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade payables	29,939	3,307
Other payables and accruals		
Accrued expenses	334	2,056
Other payables	1,118	269
Other tax payables	105	3,561
	1,557	5,886
	31,496	9,193

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 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 30 days	15,366	1,489
31 to 60 days	7,676	1,183
61 to 90 days	6,486	84
91 to 180 days	1	112
More than 180 days	410	439
Total	29,939	3,307

16. BANK BORROWINGS AND BANK OVERDRAFTS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Secured bank borrowing	5,514	5,535
Unsecured bank borrowings	2,273	–
	7,787	5,535

During the current interim period, the Group obtained new bank borrowings in the amount of approximately HK\$2,273,000.

As at 30 June 2019, secured bank borrowings with aggregate carrying amounts of approximately HK\$5,514,000 (31 December 2018: HK\$5,535,000) were secured by personal guarantee provided by Mr. Xi Bin, the director of the Company.

The interest rates of borrowings are as follows:

	At 30 June 2019	At 31 December 2018
Variable-rate secured bank borrowing	5.00% to 6.65%	6.65%

17. SHARE CAPITAL

The share capital balance as at 30 June 2019 represented the issued share capital of the Company. Details of the authorised and issued and fully paid share capital of the Company are summarised as follows:

The Company	Number of ordinary shares	Share capital <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 January 2018	10,000,000	100,000
Increased on 23 April 2018 (<i>note ii</i>)	9,990,000,000	99,900,000
As at 31 December 2018 (audited) and 30 June 2019 (unaudited)	10,000,000,000	100,000,000
Issued and fully paid:		
As at 1 January 2018	1	–
Issue and allotted on 28 February 2018 (<i>note iii</i>)	9,999,999	100
Issue by capitalisation of share premium account on 15 May 2018 (<i>note iv</i>)	350,000,000	3,500
Issue pursuant to placing and public offer (<i>note v</i>)	120,000,000	1,200
As at 31 December 2018 (audited) and 30 June 2019 (unaudited)	480,000,000	4,800

Notes:

- (i) On 21 February 2017 (date of incorporation), the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares of HK\$0.01 each. At the date of incorporation, one share was allotted and issued nil paid to the subscriber, which was then transferred to Cosmic Bliss at nil consideration on 28 February 2018.
- (ii) On 23 April 2018, pursuant to the resolution of the sole shareholder of the Company, the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of additional 9,990,000,000 new ordinary shares of HK\$0.01 each.
- (iii) On 28 February 2018, the Company acquired the entire interests in Smart Team Textiles Technology Limited, a wholly-owned subsidiary incorporated in Hong Kong, at a consideration which was satisfied by the Company (i) crediting as fully paid, the nil-paid by Cosmic Bliss; and (ii) allotting and issuing, credited as fully paid, 9,999,999 shares of HK\$0.01 each to Cosmic Bliss, which is directed by Mr. Wong.
- (iv) On 23 April 2018, resolutions were passed by the sole shareholder of the Company to approve: (i) the allotment and issue of 120,000,000 ordinary shares of HK\$0.01 each to the public by way of public offer and placing; and (ii) upon the share premium account of the Company being credited as a result of the issue of the said 120,000,000 ordinary shares, 350,000,000 ordinary shares of HK\$0.01 each be allotted and issued to the then sole shareholder of the Company by way of capitalisation ("**Capitalisation Issue**") of HK\$3,500,000 from the share premium account.
- (v) On 15 May 2018, the Company issued a total of 120,000,000 ordinary shares of HK\$0.01 each at a price of HK\$0.58 per share. Of the gross proceeds of HK\$69,600,000, HK\$1,200,000 representing the par value of such 120,000,000 ordinary shares was credited to the Company's share capital, and HK\$68,400,000, before the share issue expenses, was credited to the share premium account. The Company's total number of issued ordinary shares was increased to 480,000,000 shares upon completion of placing, the public offer and the Capitalisation Issue.
- (vi) All shares issued during the year ended 31 December 2018 rank pari passu in all respects among themselves and with the then existing shares (other than the entitlement to the Capitalisation Issue).

18. 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	
		2019 HK\$'000	2018 HK\$'000
Zhongshan Da Chong Elastic Thread Factory Ltd.	Purchase of yarns	1,364	—

Note:

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, for the six months ended 30 June 2019 were made on terms mutually agreed with the Group and related party and with reference to the prevailing market prices of the materials under the purchase agreements.

* *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 HK\$5,514,000 to the Group for the period ended 30 June 2019.

(c) 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Short-term benefits	1,772	1,619
Post-employment benefits	34	27
	1,806	1,646

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.

19. CHANGES IN OWNERSHIP INTERESTS IN A SUBSIDIARY

During the Period, the Group acquired 30% of the issued share capital of Magic Team at nil consideration and resulted in an increase in its ownership to 100%.

The following table shows the effect of changes in the Group's ownership interest in a subsidiary that did not result in a change of control, on the equity attributable to owners of the Company:

	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
Non-controlling interest acquired	(411)	–
Amounts paid on changes in ownership interest in a subsidiary	–	–
Difference recognised in other reserve	(411)	–

20. 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 2019, together with the comparative figures for the corresponding period in 2018.

Business Review and Outlook

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

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

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

During the six months ended 30 June 2019, the Group has continued to grow its business through promoting existing functional knitted fabrics and developing new functional knitted fabrics to the customers. The Group has also continued to recruit new talented sales and marketing executives to develop new markets in Southeast Asia during the six months ended 30 June 2019.

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

Financial Review

Revenue

The following table set forth an analysis of our revenue by products during the six months ended 30 June 2019 and 2018.

	Six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Sales of functional knitted fabrics	79,622	81,320
Sales of apparel	5,281	1,965
Sales of other products	409	22
	85,312	83,307

The Group's revenue increased by approximately HK\$2,005,000, or 2.4%, from approximately HK\$83,307,000 for the six months ended 30 June 2018 to approximately HK\$85,312,000 for the six months ended 30 June 2019. The increase was mainly due to the increase in revenue from sales of apparel which was resulted from the increase in sales orders from the existing major customers as well as the introduction of new customers during the six months ended 30 June 2019.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$5,860,000, or 16.5%, from approximately HK\$35,433,000 for the six months ended 30 June 2018 to approximately HK\$29,573,000 for the six months ended 30 June 2019. The decrease was mainly due to decrease in selling prices of certain products. The gross profit margin decreased by approximately 7.8% from approximately 42.5% for the six months ended 30 June 2018 to approximately 34.7% for the six months ended 30 June 2019. The decrease in gross profit margin was mainly due to the decrease in selling prices of certain products during the six months ended 30 June 2019 compared with the corresponding period in 2018.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately HK\$168,000, or 6.7%, from approximately HK\$2,519,000 for the six months ended 30 June 2018 to approximately HK\$2,687,000 for the six months ended 30 June 2019 which was mainly due to increase in advertising and exhibition expenses as there has been an increase in the number of sales and marketing events compared with six months ended 30 June 2018.

Administrative and other expenses

The Group's administrative and other expenses decreased by approximately HK\$10,142,000, or 51.3%, from approximately HK\$19,782,000 for the six months ended 30 June 2018 to approximately HK\$9,640,000 for the six months ended 30 June 2019. The decrease was mainly due to combined effect of (i) absence of a one-off listing expenses of approximately HK\$10,856,000; and (ii) the increase in depreciation of approximately HK\$495,000 as a result of purchases of plant and equipment for our Dongguan headquarter.

Income tax expenses

For the six months ended 30 June 2019 and 2018, our income tax expenses were approximately HK\$2,980,000 and HK\$3,779,000, respectively, and our effective tax rate (excluding the non-recurring listing expenses) for the same period was approximately 17.0% and 15.4%, respectively.

Profit for the period attributable to owners of the Company

As a result of the foregoing, the profit for the period attributable to owners of the Company increased from approximately HK\$10,542,000 for the six months ended 30 June 2018 to approximately HK\$14,527,000 for the six months ended 30 June 2019.

Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

Liquidity, Financial Resources and Capital Structure

During six months ended 30 June 2019, the Group financed its operation mainly through cash generated from our operating activities and banking facilities. As at 30 June 2019, we had cash and cash equivalents of approximately HK\$28,452,000 (As at 31 December 2018: HK\$61,026,000) and bank borrowings of approximately HK\$7,787,000 (As at 31 December 2018: HK\$5,535,000).

The quick ratio of the Group as at 30 June 2019 was approximately 2.49 times (30 June 2018: approximately 2.3 times; 31 December 2018: approximately 4.7 times). The quick ratio of the Group as at 30 June 2019 was approximately the same as 30 June 2018. Decrease of quick ratio of 30 June 2019 when compared with 31 December 2018 was mainly due to the increase in trade receivable and prepayment to suppliers which the Group, consistent with the pattern in prior years, experiences more settlement from trade debtors and utilisation of prepayments for purchases in the second half of the year as a result of seasonality effect of demand for functional knitted fabrics for production of fall/winter seasons garment by our customers. The Group generally financed its daily operations from internally generated cash flows. Upon Listing, the Group obtained net proceeds from the Share Offer of approximately HK\$39,900,000. The Group financed its business expansion and new business opportunities from the net proceeds. The remaining unused net proceeds as at 30 June 2019 were placed as interest bearing deposits with a licensed bank in Hong Kong.

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

As at 30 June 2019, the Company's issued share capital was HK\$4,800,000 and the number of its issued ordinary shares was 480,000,000 of HK\$0.01 each.

Gearing Ratio

The Group's gearing ratio, which is calculated based on the total debt (defined as the sum of bank borrowings) as at the respective financial period end date divided by total equity as at the respective corresponding periods was approximately 5.2% as at 30 June 2019 (31 December 2018: 4.0%).

Foreign Exchange Exposure Risks

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

Future Plans for Material Investments and Capital Assets

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

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

For the six months ended 30 June 2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

Significant Investment Held

The Group did not hold any significant investments during the six months ended 30 June 2019.

Commitments and Contingent Liabilities

As at 30 June 2019, the Group had capital commitment of approximately HK\$14,000,000 in respect of plant and equipment contracted but not provided for.

Charge on Group's Assets

As at 30 June 2019, the Group's bank borrowings was secured by pledged bank deposits of approximately HK\$6,103,000.

Employees and Remuneration Policies

As at 30 June 2019, the Group had 74 employees (30 June 2018: 95) and most of them were working in our Dongguan office. We incurred staff costs inclusive of performance related bonus, bonus and Directors' remuneration in the aggregate of approximately HK\$1,806,000 and HK\$1,646,000 for the six months ended 30 June 2019 and 30 June 2018, 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 2019.

Business objectives up to 30 June 2019 as set out in the Prospectus

Actual implementation plan up to 30 June 2019

Engage in marketing activities through participation in trade shows, industry exhibitions and networking events	– The Group has participated in a trade exhibition – The Group has recruited one sales director
Enhance our research and development resources	– The Group has cooperated with our equipment supplier to develop a new research and development machine – The Group has recruited two 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	– The Group has cooperated with research institutions in research and development – The Group has recruited two product testing personnel
Enhance our information technology infrastructure	– 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 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 2019:

Use of proceeds	Planned use of proceeds as stated in the Prospectus up to 30 June 2019 <i>HK\$'million</i>	Actual use of proceeds up to 30 June 2019 <i>HK\$'million</i>
Engage in marketing activities through participation in trade shows, industry exhibitions and networking events	1.3	0.9
Enhance our research and development resources	10.9	8.6
Upgrade product testing facilities, expand testing centre and cooperate with research institutions and university	4.6	0.1
Enhance our information technology infrastructure	2.9	1.6
General working capital	1.3	1.3

The unutilised proceeds from the Listing up to 30 June 2019 will be used by the Group as planned.

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

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

As at 30 June 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which are (a) recorded in the register required to be kept under section 352 of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard dealings by directors of listed issuer as referred to in Rule 5.47 of the GEM Listing Rules were as follows:

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

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 2019, none of the Directors or chief executives of the Company nor their associates had registered an interest or short position in any shares or underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Directors' Rights to Acquire Shares and Debentures

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

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

So far as is known to any Directors or chief executive of the Company, as at 30 June 2019, 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 interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares of the Company

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

Notes:

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

Save as disclosed above, as at 30 June 2019, 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 2019 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 2019, which have been approved by the Board on 13 August 2019 prior to its issuance. The Audit Committee is of the view that the unaudited condensed interim consolidated financial information are in compliance with the applicable accounting standards, the GEM Listing Rules and other legal requirements, and that sufficient disclosure has been made.

The Company’s independent auditor, Shinewing (HK) CPA Limited, has also conducted a review of the Group’s unaudited condensed interim consolidated financial information for the six months ended 30 June 2019 in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

Securities Transactions by Directors

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

CHANGES OF INFORMATION IN RESPECT OF DIRECTORS

In accordance with Rule 17.50(A)(1) of the GEM Listing Rules, the changes in information required to be disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 17.50(2) of the GEM Listing Rules since publication of the Group's annual report 2018 dated 10 March 2019 up to the date of this report is as below are set out below:

Name of Directors	Appointments and redesignation
Mr. Hung Yuk Miu	– Resigned as an executive Director and the authorised representative of the Company under Rule 5.24 of the GEM Listing Rules ("Authorised Representative") – Redesignated as a non-executive Director for a term of six months commencing from 30 April 2019
Mr. Wong Kai Hung Kelvin	– Appointed as the Authorised Representative

Changes in Directors' emoluments

With effect from 1 July 2019, the annual base salary payable to Mr. Wong Kai Hung Kelvin, an executive Director, has been increased from HK\$900,000 to HK\$1,440,000 and annual base salary payable to Mr. Xi Bin, an executive Director has been increased from HK\$900,000 to HK\$1,440,000.

With effect from 30 April 2019, Mr. Hung Yuk Miu, a non-executive Director, is entitled to a monthly director's fee of HK\$15,000 and a bonus of HK\$250,000 upon or before the end of the six months' appointment period.

Other than those disclosed above, there is no other information required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rule.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Corporate Governance Practices

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

Interest of the Compliance Adviser

The Company and Sunfund Capital Limited ("**Sunfund**") have mutually agreed to terminate the compliance adviser agreement entered into between them dated 7 April 2017 with effect from 28 May 2019, due to changes in personnel of Sunfund. First Shanghai Capital Limited ("**First Shanghai**") has been appointed as the new compliance adviser to the Company as required pursuant to Rule 6A.27 of the GEM Listing Rules with effect from 28 May 2019.

As confirmed by First Shanghai, the Company's compliance adviser, save for the compliance agreement entered into between the Company and First Shanghai dated 28 May 2019 in connection with the Listing, 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 2019 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 2019

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.