

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
2022

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
OTHER INFORMATION	25

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
Shops 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\$48,372,000 and HK\$14,126,000 respectively for the six months ended 30 June 2022, representing a decrease of approximately 25.2% and 19.8% respectively when compared with revenue and gross profit of approximately HK\$64,668,000 and HK\$17,611,000 respectively for the six months ended 30 June 2021. Such significant decrease in revenue could be mainly attributed to the outbreak of the highly transmissible Omicron variant of COVID-19 in the People's Republic of China ("**PRC**") in late February 2022 resulting in the significant decrease in purchase orders received from some of the Group's major customers in Eastern and Northern China during the first half of 2022 when compared with those in 2021.

During the first half of 2022, 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 slight increase in gross profit margin for the six months ended 30 June 2022 to 29.2% (six months ended 30 June 2021: 27.2%) as a result of the slight decrease in the cost of raw materials and processing fees.

As a whole, the Group made a net profit after tax of approximately HK\$2,416,000 for the six months ended 30 June 2022 when compared with a net profit after tax of approximately HK\$6,190,000 for the six months ended 30 June 2021.

The board of Directors ("**Board**") does not recommend the payment of a dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	42,097	50,348	48,372	64,668
Cost of sales		28,621	(37,418)	(34,246)	(47,057)
Gross profit		13,476	12,930	14,126	17,611
Other income		471	897	1,043	1,470
Selling and distribution expenses		(1,370)	(1,206)	(2,237)	(1,848)
Administrative and other expenses		(4,795)	(6,280)	(9,189)	(9,492)
Finance costs	6	(365)	(463)	(801)	(775)
Profit before tax		7,417	5,878	2,942	6,966
Income tax expenses	7	(526)	(608)	(526)	(776)
Profit for the period	8	6,891	5,270	2,416	6,190
Other comprehensive (expense) income for the period					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences arising on translation of foreign operations		(7,634)	2,962	(7,097)	2,271
Total comprehensive (expense) income for the period		(743)	8,232	(4,681)	8,461
Profit for the period attributable to owners of the Company		6,891	5,270	2,416	6,190
Total comprehensive (expenses) income for the period attributable to owners of the Company		(743)	8,232	(4,681)	8,461
Earnings per share – basic and diluted (HK\$ cents)	9	1.44	1.10	0.50	1.29

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	10	24,821	27,255
Deferred tax assets		3,876	4,010
Right-of-use assets		1,129	1,778
		29,826	33,043
Current assets			
Inventories		45,574	37,939
Trade receivables	11	45,984	18,286
Deposits, prepayments and other receivables	11	32,386	27,281
Pledged bank deposits		2,923	3,058
Bank balances and cash		26,499	89,740
		153,366	176,304
Current liabilities			
Trade payables	12	5,301	3,654
Other payables and accruals	12	6,553	7,418
Contract liabilities		3,459	1,289
Lease liabilities		816	1,028
Bank borrowings	13	17,365	42,808
Bank overdraft	13	1,568	–
Tax payable		989	1,045
		36,051	57,242
Net current assets		117,315	119,062
Non-current liabilities			
Lease liabilities		242	525
		242	525
NET ASSETS		146,899	151,580
Capital and reserves			
Share capital	14	4,800	4,800
Reserves		142,099	146,780
TOTAL EQUITY		146,899	151,580

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Statutory reserve HK\$'000 (Note a)	Retained earnings HK\$'000	Fair value reserve HK\$'000	Exchange reserve HK\$'000 (Note b)	
At 1 January 2021 (audited)	4,800	48,589	1,824	5,926	115,525	(119)	2,265	178,810
Profit for the period	-	-	-	-	6,190	-	-	6,190
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	2,271	2,271
Total comprehensive income (expenses) for the period	-	-	-	-	6,190	-	2,271	8,461
At 30 June 2021 (unaudited)	4,800	48,589	1,824	5,926	121,715	(119)	4,536	187,271
At 1 January 2022 (audited)	4,800	48,589	1,824	5,926	83,022	-	7,419	151,580
Profit for the period	-	-	-	-	2,416	-	-	2,416
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(7,097)	(7,097)
Total comprehensive income (expenses) for the period	-	-	-	-	2,416	-	(7,097)	(4,681)
At 30 June 2022 (unaudited)	4,800	48,589	1,824	5,926	85,438	-	322	146,899

Notes:

(a) Statutory reserve

According to the People's Republic of China ("PRC") Company Law, companies established 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 2022

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(36,475)	(35,260)
INVESTING ACTIVITIES		
Acquisition of plant and equipment	(62)	(860)
Interest received	34	11
NET CASH USED IN INVESTING ACTIVITIES	(28)	(849)
FINANCING ACTIVITIES		
New bank borrowings raised	18,051	25,400
Repayment of bank borrowing	(42,298)	–
Payment of lease liabilities	(524)	(716)
Interest paid	(771)	(717)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(25,542)	23,967
NET DECREASE IN CASH AND CASH EQUIVALENTS	(62,045)	(12,142)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	89,740	38,134
Effect of foreign exchange rate changes	(2,764)	688
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	24,931	26,680
Analysis of Components of Cash and Cash Equivalents:		
Bank balances and cash	26,499	26,680
Bank overdraft	(1,568)	–
	24,931	26,680

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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.

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 2021 ("**2021 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 2021 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 2022. 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 2022:

Amendments to HKFRS 3	Reference to Conceptual Framework
Amendments to HKAS 16	Property, plant and equipment: Proceeds before intended use
Amendments to HKAS 37	Onerous Contracts – cost of fulfilling a contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle

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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15				
Disaggregated by major products				
– Sales of functional knitted fabrics	39,556	48,499	42,294	61,090
– Sales of apparel	658	1,849	3,169	3,578
– Sales of yarns	1,883	–	2,909	–
	42,097	50,348	48,372	64,668

The above revenues 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Customer A	15,682	8,861	17,624	13,931
Customer B	12,466	22,247	13,035	27,308

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interests on:				
– Bank borrowings and overdrafts	352	439	772	724
– Lease liabilities	13	24	29	51
	365	463	801	775

7. INCOME TAX EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax:				
PRC Enterprise Income Tax ("EIT")	526	1,008	526	1,171
Deferred taxation	-	(400)	-	(395)
	526	608	526	776

Hong Kong profit tax is calculated at 16.5% on the estimated assessable profit for the six months ended 30 June 2022 and 2021.

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 2022 and 2021.

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 concessory 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 concessory rate of 2.5% for the first portion of less than RMB1 million taxable income and of 5% for the second portion of more than RMB1 million but less than RMB3 million 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Staff costs, excluding directors' emoluments:				
Salaries, allowances and other benefits	4,091	2,946	7,083	5,712
Contributions to retirement benefit scheme	260	242	494	480
	4,351	3,188	7,577	6,192
Cost of inventories recognised as an expense	26,842	37,379	31,566	44,568
Depreciation of plant and equipment	662	1,076	1,355	1,795
Depreciation of right-of-use assets	315	322	641	640
Interest income	(11)	(7)	(34)	(11)
Expenses relating to short-term leases	22	12	39	23
Research and development expenses recognised as an expense (note)	770	1,283	1,616	2,548

Note: The research and development expenses disclosed herein excluded salaries, allowances and other benefits of approximately HK\$1,678,000 and HK\$1,524,000, and contributions to retirement benefit scheme of approximately HK\$86,000 and HK\$120,000 for the periods ended 30 June 2022 and 2021 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	
	2022	2021
	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	2,416	6,190
	30 June 2022	30 June 2021
	'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 2022 and 2021.

10. PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired plant and equipment of approximately HK\$62,000 (six months ended 30 June 2021: approximately HK\$860,000).

11. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Trade receivables	90,955	65,324
Less: allowance for impairment on trade receivables	(44,971)	(47,038)
	45,984	18,286
Other receivables	2,349	2,910
Prepayments	29,755	24,216
Deposits	282	155
	32,386	27,281

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 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 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Within 30 days	25,417	14,893
31 to 60 days	11,911	741
61 to 90 days	6,327	2,226
91 to 180 days	2,329	–
181 to 365 days	–	426
Total	45,984	18,286

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Trade payables	5,301	3,654
Other payables and accruals		
Accrued expenses	1,308	1,432
Other payables	223	211
Other tax payables	5,022	5,775
	6,553	7,418
	11,854	11,072

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 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Within 30 days	1,948	1,508
31 to 60 days	1,046	649
61 to 90 days	2,028	628
91 to 180 days	234	772
More than 180 days	45	97
Total	5,301	3,654

13. BANK BORROWINGS/OVERDRAFT

	30 June 2022 <i>HK\$'000</i> (Unaudited)	31 December 2021 <i>HK\$'000</i> (Audited)
Bank overdraft	1,568	–
Unsecured bank borrowings	17,365	42,808
	18,933	42,808

For the six months ended 30 June 2022, the Group obtained new bank borrowings of approximately HK\$18,051,000. The outstanding bank borrowings of a PRC subsidiary amounting to approximately HK\$17,365,000 and HK\$42,808,000 as at 30 June 2022 and 31 December 2021 respectively were guaranteed by Mr. Xi Bin, an executive director of the Company and his spouse.

14. SHARE CAPITAL

Dividends

No dividend was paid or proposed during the six months ended 30 June 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

15. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial information for the six months ended 30 June 2022, the Group has the following transactions with related parties:

(a) Transactions with related parties

Related party	Nature of transaction	Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000
Zhongshan Da Chong Elastic Thread Factory Ltd.* (Note 1)	Purchase of yarns	-	11
Proudy Limited (Note 2)	Consultancy services	60	256

Notes:

- (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 2021 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	
		2022 HK\$'000	2021 HK\$'000
Prepayment			
Proudy Limited	Consultancy services	-	113

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, and his spouse have provided personal guarantee for the bank borrowings of approximately HK\$17,365,000 and HK\$42,062,000 to the Group for the periods ended 30 June 2022 and 2021, respectively.

Mr. Wong Kai Hung Kelvin (“**Mr. Wong**”), an executive Director, has provided personal guarantee for the bank borrowings of HK\$5,000,000 to the Group for period ended 30 June 2021. There was nil bank borrowings guaranteed by Mr. Wong for the period ended 30 June 2022.

(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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	1,722	1,701
Post-employment benefits	28	27
	1,750	1,728

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 Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the corresponding period in 2021.

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 2022, the Group’s business was adversely affected by the outbreak of the highly transmissible Omicron variant of COVID-19 in late February 2022 which had led to significant economic uncertainty in mainland China. The Group’s customers had become more conservative in making purchase orders from the Group and hence the lessened demand for products of the Group when compared with the corresponding period in 2021.

The implementation of various aggressive preventive control measures by the government of the PRC has resulted in a temporary suspension of business operations of some of the Group’s major customers in Eastern and Northern China and thus a significant drop in purchase orders received from these customers. The Group’s revenue therefore decreased significantly by approximately 25.2% when compared with the corresponding period in 2021. The management of the Company has been monitoring closely the pandemic development and will respond to the momentum of market recovery once the pandemic situation is improved.

Amid the challenging market and business environment under the impacts of Omicron variant of COVID-19 outbreak in mainland China, 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 is also focusing on the following business strategies: (i) to strengthen the Group’s market position in the PRC by improving its product offering; and (ii) to strengthen the Group’s marketing efforts.

Financial Review

Revenue

The following table sets forth an analysis of our revenue by products during the six months ended 30 June 2022 and 2021.

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Sales of functional knitted fabrics	42,294	61,090
Sales of apparel	3,169	3,578
Sales of yarns	2,909	–
	48,372	64,668

The Group's revenue decreased by approximately HK\$16,296,000, or 25.2%, from approximately HK\$64,668,000 for the six months ended 30 June 2021 to approximately HK\$48,372,000 for the six months ended 30 June 2022. The decrease was mainly due to the significant decrease in revenue from the sales of functional knitted fabrics as a result of the decrease in sales orders from some of major customers when compared with the corresponding period in 2021, which could be mainly attributed to the reason that the business operations of the Group's major customers were temporarily suspended due to the outbreak of Omicron variant of COVID-19 and hence there was lessened demand for the Group's products.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$3,485,000, or 19.8%, from approximately HK\$17,611,000 for the six months ended 30 June 2021 to approximately HK\$14,126,000 for the six months ended 30 June 2022, which was mainly caused by the decrease in revenue. The gross profit margin slightly increased by approximately 2.0 percentage points from approximately 27.2% for the six months ended 30 June 2021 to approximately 29.2% for the six months ended 30 June 2022. The increase in gross profit margin was mainly due to the slight decrease in the cost of raw materials and processing fees.

Selling and distribution expenses

The Group's selling and distribution expenses slightly increased by approximately HK\$389,000, or 21.0%, from approximately HK\$1,848,000 for the six months ended 30 June 2021 to approximately HK\$2,237,000 for the six months ended 30 June 2022 which was primarily caused by (i) increase in salaries of HK\$686,000 mainly due to the payment of discretionary bonus to the selling staff in the first half of 2022 while the bonus for the year ended 31 December 2021 was paid during the second half year of 2021; (ii) increase in sales and marketing service fee of approximately HK\$488,000; partially offset by (iii) decrease in the exhibition expenses of HK\$269,000 as a result of delayed incurrence of exhibition in the second half of 2022; and (iv) decrease in miscellaneous selling expenses such as travelling, entertainment, courier and postage of HK\$539,000.

Administrative and other expenses

The Group's administrative and other expenses decreased by approximately HK\$303,000, or 3.2%, from approximately HK\$9,492,000 for the six months ended 30 June 2021 to approximately HK\$9,189,000 for the six months ended 30 June 2022. The decrease was mainly caused by (i) the decrease in depreciation of approximately HK\$515,000 due to the fact that certain machines in use had been fully depreciated during the first quarter of 2022; (ii) the decrease in miscellaneous expenses of approximately HK\$381,000, mainly including travelling, entertainment, vehicle maintenance and insurance; partially offset by (iii) the increase in consultancy fee for IT system improvement, management and marketing of approximately HK\$207,000; and (iv) the increase in staff welfare of approximately HK\$290,000 due to a change in policy regarding rental charges for government subsidies staff quarters.

Impairment loss on trade receivables

The impairment loss of approximately HK\$46,333,000 was made in respect of entire outstanding overdue balance of trade receivables due from a customer during the financial year ended and as at 31 December 2021. Such overdue balance was arisen from the sales of functional knitted fabrics to such customer in the second half of 2020. The management assessed that the trade receivables from this customer was unlikely recoverable and has therefore decided to make impairment loss for such trade receivables since the period ended 30 September 2021. The Group has also initiated legal proceedings in September 2021 against this customer in the People's Court of Nan Shan District of Shenzhen (the "**Court**") with a view to recovering the outstanding trade receivables. As at the date of this report, the Court had ruled in favor of the Group's PRC subsidiary as the plaintiff and this customer had entered into progress of bankruptcy liquidation.

Income tax expenses

For the six months ended 30 June 2022 and 2021, the income tax expenses were approximately HK\$526,000 and HK\$776,000, respectively, and the effective tax rate for the same period was approximately 17.9% and 11.1%, respectively. The significant increase in the effective tax rate was mainly attributable to (i) the Group's profit before tax for corresponding period in 2022 being partially offset by loss before tax incurred by some of subsidiaries and (ii) the absence of the reversal of deferred tax liabilities of HK\$400,000 related to withholding tax on undistributed earnings of a PRC subsidiary incurred during the six months ended 30 June 2021.

Profit for the period attributable to owners of the Company

As a result of the foregoing, the profit for the period attributable to owners of the Company decreased from HK\$6,190,000 for the six months ended 30 June 2021 to approximately HK\$2,416,000 for the six months ended 30 June 2022.

Dividend

The Board does not recommend the payment of any dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Liquidity, Financial Resources and Capital Structure

During the six months ended 30 June 2022, the Group financed its operation mainly through cash generated from our operating activities, bank borrowings and banking facilities.

As at 30 June 2022, the Group had cash and cash equivalents of approximately HK\$26,499,000 (as at 31 December 2021: HK\$89,740,000), bank borrowings of approximately HK\$17,365,000 (as at 31 December 2021: HK\$42,808,000) and bank overdraft of approximately HK\$1,568,000 (as at 31 December 2021: Nil). The bank borrowings of HK\$11,694,000 and HK\$5,671,000 bear fixed interest rate of 4.25% per annum and variable interest rate based on PRC's Loan Prime Rate plus 0.4% per annum with maturity of one year and three years respectively.

As at 30 June 2022 and 31 December 2021, the outstanding bank borrowings of approximately HK\$17,365,000 and HK\$42,808,000 respectively were interest-bearing bank loans denominated in Renminbi "RMB" and were guaranteed by Mr. Xi Bin, an executive director of the Company and his spouse. The bank overdraft of approximately HK\$1,568,000 as at 30 June 2022 (31 December 2021: Nil) was secured by pledged deposit of HK\$2,923,000 as at 30 June 2022.

The quick ratio of the Group as at 30 June 2022 was approximately 2.99 times (30 June 2021: approximately 2.39 times; 31 December 2021: approximately 2.42 times). The quick ratio of the Group as at 30 June 2022 was higher when compared with the corresponding period last year mainly due to the repayment of bank borrowing in the first half of 2022 and the decrease of the trade payable. The increase in the quick ratio of 30 June 2022 when compared with 31 December 2021 was mainly due to the decrease in bank borrowings of HK\$25,443,000.

As at 30 June 2022, 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 12.9% as at 30 June 2022 (31 December 2021: 28.2%). Decrease in gearing ratio was caused by reducing in bank borrowings of HK\$25,443,000 during the period ended 30 June 2022 when compared with the year ended 31 December 2021.

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 RMB and US 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 the 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 the period ended 30 June 2022. 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

The Group currently does not have any significant investment or acquisition of capital assets but will continue to seek potential investment or acquisition opportunities according to the Group's development needs.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

For the six months ended 30 June 2022, 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 2022.

Commitments and Contingent Liabilities

As at 30 June 2022, the Group had no material capital commitments and contingent liabilities.

Charge on Group's Assets

The Group had pledged deposit of HK\$2,923,000 (30 June 2021: HK\$3,004,000) to secure general banking facilities granted to the Company's subsidiary in Hong Kong as at 30 June 2022. Save as disclosed above, as at 30 June 2022, the Group's bank borrowings of approximately HK\$17,365,000 were not secured by any of the Group's assets.

Employees and Remuneration Policies

As at 30 June 2022, the Group had 66 employees (30 June 2021: 72) and most of them were working in our Dongguan office. We incurred staff costs inclusive of performance related bonus, bonus and Directors' remuneration in the aggregate of approximately HK\$9,326,000 and HK\$7,920,000 for the six months ended 30 June 2022 and 30 June 2021, 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.

OTHER INFORMATION

Disclosure of Information on Directors Pursuant to Rule 17.50A(1) of the GEM Listing Rules

On 14 March 2022, Mr. Sze Irons *BBS JP*, an independent non-executive Director, was appointed as an independent non-executive director of Redco Healthy Living Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2370).

With effect from 1 July 2022, Mr. Sze Irons *BBS JP* was appointed as an independent non-executive director of Forward Fashion (International) Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2528).

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

As at 30 June 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong ("**SFO**")) which are (a) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions 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 corporations of the Company

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

Notes:

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

Save as disclosed above, as at 30 June 2022, none of the Directors or the chief executive of the Company nor their associates had registered an interest or short position in any shares or underlying shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Directors' Rights to Acquire Shares and Debentures

At no time during the six months ended 30 June 2022 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 2022, 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)	The Company	Beneficial owner	360,000,000 Shares	75.00%
Kwan, Vivian Wun-kwan (Note 2)	The Company	Interest of spouse	360,000,000 Shares	75.00%

Notes:

1. The entire issued share capital of Cosmic Bliss is 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 2022, 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 2022 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 2022, which have been approved by the Board on 11 August 2022 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 2022 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 2022 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 2022 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.

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

Hong Kong, 11 August 2022

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.