

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
2023

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*This report, for which the directors (“**Directors**”) of ST International Holdings Company Limited (“**Company**”, together with its subsidiaries the “**Group**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (“**GEM Listing Rules**”) for the purpose of giving information with regard to the Company.*

The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-executive Director

Mr. Hung Yuk Miu

Independent non-executive Directors

Mr. Sze Irons, *BBS JP*
Mr. Fong Kin Tat
Mr. Ng Wing Heng Henry

Audit Committee

Mr. Ng Wing Heng Henry (*Chairman*)
Mr. Sze Irons, *BBS JP*
Mr. Fong Kin Tat

Remuneration Committee

Mr. Fong Kin Tat (*Chairman*)
Mr. Wong Kai Hung Kelvin
Mr. Ng Wing Heng Henry

Nomination Committee

Mr. Sze Irons, *BBS JP* (*Chairman*)
Mr. Wong Kai Hung Kelvin
Mr. Ng Wing Heng Henry

Compliance Officer

Mr. Wong Kai Hung Kelvin

Company Secretary

Mr. Lei Kin Keong, *CPA, ACG and HKACG*

Authorised Representatives

Mr. Wong Kai Hung Kelvin
Mr. Lei Kin Keong, *CPA, ACG and HKACG*

Registered Office

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Hong Kong Branch Share Registrar

Tricor Investor Services Limited
17/F, Far East Finance Centre,
16 Harcourt Road, Hong Kong

Auditor

SHINEWING (HK) CPA Limited
Certified Public Accountants
17/F, Chubb Tower, Windsor House,
311 Gloucester Road, 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

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No. 72, Guantai Road,
Nancheng District, Dongguan City,
Guangdong Province, PRC

Bank of Dongguan
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China Construction Bank
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Guangdong Province, PRC

Company's Website

www.smart-team.cn

Stock Code

8521

FINANCIAL HIGHLIGHTS

The Group recorded revenue and gross profit of approximately HK\$42,755,000 and HK\$10,052,000 respectively for the six months ended 30 June 2023, representing a decrease of approximately 11.6% and 28.8% respectively when compared with revenue and gross profit of approximately HK\$48,372,000 and HK\$14,126,000 respectively for the six months ended 30 June 2022.

The gross profit margin decreased by 5.7 percentage points from 29.2% for the six months ended 30 June 2022 to approximately 23.5% for the six months ended 30 June 2023. The Directors attribute such decrease to the combined effect of (i) the change in product mix which resulted in a relatively lower profit margin; and (ii) the increase in the per unit cost of raw materials and the outsourcing processing fees. The decrease in the gross profit margin was netted off against the reduction of the direct labour cost as a result of reduction in number of staff.

Despite the relaxation of the COVID-19 pandemic control policies in early 2023 by the PRC Government, China's economic recovery was sputtering during the six months ended 30 June 2023. Demand for the Group's products did not increase at the pace expected by the management of the Group. In response to this situation, the Group will continue to strive to confirm sales orders with existing customers and will keep on exploring new customers with a view to securing new sales order and enlarging the customer base.

As a whole, the Group recorded a net loss after tax of approximately HK\$2,071,000 for the six months ended 30 June 2023 when compared with a net profit after tax of approximately HK\$2,416,000 for the six months ended 30 June 2022. The turnaround to loss for the six months ended 30 June 2023 was principally due to the significant decrease in revenue and gross profit for the same period.

The board of Directors ("**Board**") does not recommend the payment of a dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Three months ended 30 June		Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	31,345	42,097	42,755	48,372
Cost of sales		(22,832)	(28,621)	(32,703)	(34,246)
Gross profit		8,513	13,476	10,052	14,126
Other income		275	471	790	1,043
Selling and distribution expenses		(1,313)	(1,370)	(2,704)	(2,237)
Administrative and other expenses		(4,644)	(4,795)	(8,962)	(9,189)
Finance costs	6	(389)	(365)	(786)	(801)
(Loss) profit before tax		2,442	7,417	(1,610)	2,942
Income tax expenses	7	(461)	(526)	(461)	(526)
(Loss) profit for the period	8	1,981	6,891	(2,071)	2,416
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		(6,420)	(7,634)	(3,733)	(7,097)
Total comprehensive (expense) income for the period		(4,439)	(743)	(5,804)	(4,681)
(Loss) profit for the period attributable to owners of the Company		1,981	6,891	(2,071)	2,416
Total comprehensive (expenses) income for the period attributable to owners of the Company		(4,439)	(743)	(5,804)	(4,681)
(Loss) earnings per share – basic and diluted (HK\$ cents)	9	0.41	1.44	(0.43)	0.50

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Non-current assets			
Plant and equipment	10	14,439	16,265
Deferred tax asset		3,653	3,771
Right-of-use assets		1,058	1,490
		19,150	21,526
Current assets			
Inventories		37,597	26,478
Trade receivables	11	39,562	16,477
Deposits, prepayments and other receivables	11	17,570	24,346
Pledged bank deposits		2,711	2,799
Bank balances and cash		57,995	87,057
		155,435	157,157
Current liabilities			
Trade payables	12	9,690	1,633
Other payables and accruals	12	3,232	6,380
Contract liabilities		2,538	2,518
Lease liabilities		508	811
Bank borrowings	13	29,934	30,896
Bank overdraft	13	1,501	2,299
Tax payable		689	1,244
		48,092	45,781
Net current assets		107,343	111,376
Non-current liabilities			
Lease liabilities		588	730
Bank Borrowing		3,959	4,422
		4,547	5,152
NET ASSETS		121,946	127,750
Capital and reserves			
Share capital	14	4,800	4,800
Reserves		117,146	122,950
TOTAL EQUITY		121,946	127,750

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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	Exchange reserve HK\$'000 (Note b)	
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
At 1 January 2023 (audited)	4,800	48,589	1,824	5,926	71,997	(5,386)	127,750
Loss for the period	-	-	-	-	(2,071)	-	(2,071)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(3,733)	(3,733)
Total comprehensive expenses for the period	-	-	-	-	(2,071)	(3,733)	(5,804)
At 30 June 2023 (unaudited)	4,800	48,589	1,824	5,926	69,926	(9,119)	121,946

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 2023

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(25,528)	(36,475)
INVESTING ACTIVITIES		
Acquisition of plant and equipment	–	(62)
Interest received	48	34
NET CASH FROM (USED IN) INVESTING ACTIVITIES	48	(28)
FINANCING ACTIVITIES		
New bank borrowings raised	–	18,051
Repayment of bank borrowing	(336)	(42,298)
Repayment of lease liabilities – Principal	(428)	(495)
Repayment of lease liabilities – interest	(32)	(29)
Interest paid	(754)	(771)
NET CASH USED IN FINANCING ACTIVITIES	(1,550)	(25,542)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(27,030)	(62,045)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	84,758	89,740
Effect of foreign exchange rate changes	(1,234)	(2,764)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	56,494	24,931
Analysis of Components of Cash and Cash Equivalents:		
Bank balances and cash	57,995	26,499
Bank overdraft	(1,501)	(1,568)
	56,494	24,931

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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 on 16 May 2018.

As at 30 June 2023, the parent and the ultimate holding company of the Company was Cosmic Bliss Investments Limited ("**Cosmic Bliss**"), a company incorporated in the British Virgin Islands ("**BVI**"). The ultimate controlling party was 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 1504, 303 Jaffe 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 GEM Listing Rules. 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 2022 ("**2022 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 2022 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 2023. 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 2023:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15				
Disaggregated by major products				
- Sales of functional knitted fabrics	30,210	39,556	33,887	42,294
- Sales of apparel	556	658	1,962	3,169
- Sales of yarns	579	1,883	6,906	2,909
	31,345	42,097	42,755	48,372

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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Customer A	10,278	15,682	10,645	17,624
Customer B	10,423	12,466	10,835	13,035
Customer C	524	–	6,590	–

6. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interests on:				
– Bank borrowings and overdrafts	374	352	754	772
– Lease liabilities	15	13	32	29
	389	365	786	801

7. INCOME TAX EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Current tax:				
PRC Enterprise Income Tax ("EIT")	461	526	461	526
Deferred taxation	-	-	-	-
	461	526	461	526

Hong Kong profit tax is calculated at 16.5% on the estimated assessable profit for the six months ended 30 June 2023 and 2022.

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 2023 and 2022.

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%.

One of the Group's subsidiaries registered in the PRC is qualified under the Notice of Comprehensive Tax Relief for Small and Micro Enterprises recognised as small and low profit enterprises which have been granted tax concessions by PRC tax bureau and is entitled to PRC enterprise income tax at concessory rate of 5% for the first portion of less than RMB 1 million taxable income and 10% for the second portion of more than RMB 1 million but less than RMB 3 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. (LOSS) PROFIT FOR THE PERIOD

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

	Three months ended 30 June		Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Staff costs, excluding directors' emoluments:				
Salaries, allowances and other benefits	2,316	4,091	5,447	7,083
Contributions to retirement benefit scheme	183	260	381	494
	2,499	4,351	5,828	7,577
Cost of inventories recognised as an expense	22,338	26,842	31,529	31,566
Depreciation of plant and equipment	836	662	1,362	1,355
Depreciation of right-of-use assets	205	315	416	641
Interest income	(25)	(11)	(48)	(34)
Expenses relating to short-term leases	2	22	6	39
Research and development expenses recognised as an expense (note)	976	770	1,775	1,616

Note: The research and development expenses disclosed herein excluded salaries, allowances and other benefits of approximately HK\$1,491,000 and HK\$1,678,000, and contributions to retirement benefit scheme of approximately HK\$89,000 and HK\$86,000 for the periods ended 30 June 2023 and 2022 respectively which had been included in salaries, allowances and other benefits disclosed above.

9. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	(2,071)	2,416
	30 June 2023	30 June 2022
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	480,000	480,000

Diluted (loss) earnings per share were the same as basic (loss) earnings per share as there were no potential dilutive ordinary shares outstanding for the six months ended 30 June 2023 and 2022.

10. PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group did not acquire any plant and equipment (six months ended 30 June 2022: approximately HK\$62,000).

11. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Gross amount of total trade receivables arising from contracts with customer	39,629	16,544
Less: allowance for impairment on trade receivables	(67)	(67)
	39,562	16,477
Other receivables	802	776
Prepayments	16,671	23,241
Deposits	97	329
	17,570	24,346

The Group allows a credit period of 30 to 120 days to its customers. The Group does not hold any collateral over its trade receivables. The following is an aging analysis of trade receivables, presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Within 30 days	31,053	15,213
31 to 60 days	2,468	169
61 to 90 days	2,164	1,162
91 to 180 days	3,900	–
More than 1 year	44	–
Total	39,629	16,544

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Trade payables	9,690	1,633
Other payables and accruals:		
Accrued expenses	648	1,448
Other payables	225	236
Other tax payables	2,359	4,696
	3,232	6,380
	12,922	8,013

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

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Within 30 days	9,335	833
31 to 60 days	61	19
61 to 90 days	–	10
91 to 180 days	283	222
More than 180 days	11	549
Total	9,690	1,633

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.

13. BANK OVERDRAFT/BORROWING

	30 June 2023 <i>HK\$'000</i> (Unaudited)	31 December 2022 <i>HK\$'000</i> (Audited)
Bank overdraft	1,501	2,299
Unsecured bank borrowings	33,893	35,318
	35,394	37,617

The outstanding bank borrowings of a PRC subsidiary amounting to approximately HK\$33,893,000 and HK\$35,318,000 as at 30 June 2023 and 31 December 2022 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 2023 and 2022, 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 2023, the Group has the following transactions with related parties:

(a) Transactions with related parties

Related party	Nature of transaction	Six months ended 30 June	
		2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Proudy Limited (<i>Note</i>)	Consultancy services	60	60

Note: 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.

(b) Banking facilities

Mr. Xi Bin, an executive Director, and his spouse have provided personal guarantees for the bank borrowings of approximately HK\$33,893,000 and HK\$17,365,000 to the Group for the periods ended 30 June 2023 and 2022, respectively.

(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	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term benefits	1,706	1,722
Post-employment benefits	28	28
	1,734	1,750

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 higher revenue and operating profits in the second half of the year as compared with the first half of the year due to the 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 2023, together with the comparative figures for the corresponding period in 2022.

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 fibers 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 opportunities, we also engage in the sales of apparel made of our functional knitted fabrics for our customers which are lingerie and apparel brand owners.

Despite the relaxation of the COVID-19 pandemic control policies in early 2023 by the PRC Government, China’s economic recovery was sputtering during the six months ended 30 June 2023. Demand for the Group’s products did not increase at the pace as expected by the management of the Group. In response to this situation, the Group will continue to strive to maintain sales orders with existing customers and will keep on exploring new customers with a view to securing new sales order and enlarging the customer base.

The management of the Company will continue to strengthen the Group’s position in research and development, upgrade our standards of quality on new functional knitted fabrics as well as expand our business into different market segments by strengthening the marketing and sales efforts. 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 2023 and 2022.

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
Sales of functional knitted fabrics	33,887	42,294
Sales of apparel	1,962	3,169
Sales of yarns	6,906	2,909
	42,755	48,372

The Group's revenue decreased by approximately HK\$5,617,000 or 11.6%, from approximately HK\$48,372,000 for the six months ended 30 June 2022 to approximately HK\$42,755,000 for the six months ended 30 June 2023.

The Group's revenue has not yet resumed to pre-epidemic level as expected by the management of the Company during the six months ended 30 June 2023. However, the Group has confirmed sales orders, amounting to approximately HK\$88.9 million during the six months ended 30 June 2023 which is more than that in the corresponding period in 2022 (2022: approximately HK\$76.8 million). As the delivery of the goods are scheduled for the second half of 2023, the revenue relating to such sales orders could not be fully recognised during the period under review and the recognised sales of functional knitted fabrics decreased by HK\$8,407,000 or 19.9% and the sales of apparel recorded a reduction of HK\$1,207,000 or 38.1% compared to the corresponding period in 2022.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$4,074,000 or 28.8% from approximately HK\$14,126,000 for the six months ended 30 June 2022 to approximately HK\$10,052,000 for the six months ended 30 June 2023.

The gross profit margin decreased by 5.7 percentage points from 29.2% for the six months ended 30 June 2022 to approximately 23.5% for the six months ended 30 June 2023. The Directors attribute such decrease to the combined effect of (i) the change in product mix which resulted in a relatively lower profit margin; and (ii) the increase in the per unit cost of raw materials and the outsourcing processing fees. The decrease in the gross profit margin was netted off against the reduction of the direct labour costs as a result of reduction in number of staff.

Selling and distribution expenses

The Group's selling and distribution expenses slightly increased by approximately HK\$467,000, or 20.9%, from approximately HK\$2,237,000 for the six months ended 30 June 2022 to approximately HK\$2,704,000 for the six months ended 30 June 2023 primarily due to the increased marketing expenses of approximately HK\$161,000 and travelling expenses of approximately HK\$260,000. The increased marketing expenses and travelling expenses are due to (i) the increased number of physical customer meetings to maintain business relationships and (ii) the attendances of exhibition events in 2023.

Administrative and other expenses

The Group's administrative and other expenses decreased by approximately HK\$227,000, or 2.5%, from approximately HK\$9,189,000 for the six months ended 30 June 2022 to approximately HK\$8,962,000 for the six months ended 30 June 2023. The decrease was mainly caused by (i) the decrease in depreciation of plant and equipment by approximately HK\$171,000 because certain office equipment and software in use had been fully depreciated during the first quarter of 2023 or impaired at the end of 2022; (ii) the decrease in legal and professional fee by HK\$306,000; and (iii) the decrease in miscellaneous administrative expenses such as building management fee, government rates, travelling expenses, and sundry expenses by approximately HK\$316,000.

Such decrease was partially offset by the donation of RMB150,000 (equivalent to HK\$169,000) made by the Group to China Green Carbon Foundation ("中國綠色碳滙基金會") and the increase in staff cost of approximately HK\$395,000. The staff cost increase was mainly due to the compensation to staff who was laid off in 2023.

Income tax expenses

For the six months ended 30 June 2023 and 2022, the income tax expenses were approximately HK\$461,000 and HK\$526,000, respectively, and the effective tax rate for the same period was approximately -28.7% and 17.9%, respectively. The significant decrease in the effective tax rate was mainly attributable to the Group's loss before tax for the period in 2023. Excluding the loss before tax incurred by several subsidiaries, the effective tax rate for the six months ended 30 June 2023 was approximately 16.8%.

Loss/profit for the period attributable to owners of the Company

As a result of the foregoing, the loss for the period attributable to owners of the Company was HK\$2,071,000 for the six months ended 30 June 2023 compared with the profit of 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 2023 (six months ended 30 June 2022: Nil).

Trade receivables and trade payables

The Group's trade receivables increased by HK\$23,085,000, or 140.1%, from HK\$16,477,000 as at 31 December 2022 to HK\$39,562,000 as at 30 June 2023. Besides, the Group's trade payables also increased by HK\$8,057,000, or 493.4%, from HK\$1,633,000 as at 31 December 2022 to HK\$9,690,000 as at 30 June 2023. The significant fluctuations were due to the Group's sales being subject to seasonality.

Based on the Group's sales trends, the Group generally delivers products to customers and experiences more sales between June and August of the year. The generally higher demand for fabrics and garments products is probably due to the fact that garments manufacturers need more of our Group's products for production of more garments to prepare themselves for the winter peak season. As a result, the respective balances of the trade receivables and trade payable experienced remarkable increase as at June 2023 when compared to the end of the financial year in 2022.

Liquidity, Financial Resources and Capital Structure

During the six months ended 30 June 2023, the Group financed its operation mainly through cash generated from our operating activities, bank borrowings and banking facilities.

As at 30 June 2023, the Group had cash and cash equivalents (defined as bank balance and cash and bank overdrafts excluded pledged bank deposits) of approximately HK\$56,494,000 (as at 31 December 2022: HK\$84,758,000), bank borrowings of approximately HK\$33,893,000 (as at 31 December 2022: HK\$35,318,000) and bank overdraft of approximately HK\$1,501,000 (as at 31 December 2022: HK\$2,299,000). The bank borrowings of HK\$29,283,000 and HK\$4,610,000 bear a fixed interest rate of 3.8% to 4.25% per annum and a 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 2023 and 31 December 2022, the outstanding bank borrowings of approximately HK\$33,893,000 and HK\$35,318,000 respectively were interest-bearing bank loans denominated in RMB and were guaranteed by Mr. Xi Bin, an executive director of the Company and his spouse. The bank overdraft of approximately HK\$1,501,000 as at 30 June 2023 (31 December 2022: HK\$2,299,000) was secured by pledged bank deposits of HK\$2,711,000 as at 30 June 2023 (31 December 2022: HK\$2,799,000).

The quick ratio of the Group as at 30 June 2023 was approximately 2.45 times (30 June 2022: approximately 2.99 times; 31 December 2022: approximately 2.85 times). The quick ratio of the Group as at 30 June 2023 was lower when compared with the corresponding period last year mainly due to the decrease of prepayment and the increase of bank borrowings and trade payable. The decrease in the quick ratio of 30 June 2023 when compared with 31 December 2022 was mainly due to the decrease in prepayment and the increase of the trade payable.

As at 30 June 2023, 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 29.0% as at 30 June 2023 (31 December 2022: 29.4%). The Company recorded a slight decrease in gearing ratio. Such decrease was caused by the reduction in bank borrowings and bank overdraft of HK\$2,223,000 and the reduction in reserves of HK\$5,804,000 during the period ended 30 June 2023 when compared with that as at 31 December 2022.

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 dollars ("**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. Although the receipt of our trade receivables was denominated in both RMB and USD, the Group's principal business is located in the PRC, and its transactions are mainly conducted in RMB. The Group did not use any hedging contracts to engage in speculative activities during the period ended 30 June 2023. The Group's management will closely monitor the foreign currency risk exposure and take necessary measures to minimise the potential foreign exchange risks.

Future Plans for Material Investments and Capital Assets

As of the date of this report, the Group had no plans for material investments or capital assets.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

For the six months ended 30 June 2023, the Group did not have any material acquisitions or disposals of any of the Company's subsidiaries and associated companies.

Significant Investment

The Group did not hold any significant investments during the six months ended 30 June 2023.

Commitments and Contingent Liabilities

As at 30 June 2023, the Group had no material capital commitments and contingent liabilities.

Charge on Group's Assets

The Group had pledged bank deposits of HK\$2,711,000 (30 June 2022: HK\$2,923,000) to secure general banking facilities granted to the Company's subsidiary in Hong Kong as at 30 June 2023. Save as disclosed above, as at 30 June 2023, the Group's bank borrowings of approximately HK\$33,893,000 were not secured by any of the Group's assets.

Employees and Remuneration Policies

As at 30 June 2023, the Group had 64 employees (30 June 2022: 66) and most of them were working in our Dongguan office. We incurred staff costs inclusive of performance-related bonuses and Directors' remuneration in the aggregate of approximately HK\$7,562,000 and HK\$9,326,000 for the six months ended 30 June 2023 and 30 June 2022, 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. For our sales staff, we offer a remuneration package comprising a basic salary and a performance-based bonus.

The Group emphasises the importance and necessity of cultivating an ethical culture inside a company. The Group provides training programs covering the skill of management, sales and marketing, and quality control to employees of the Group.

OTHER INFORMATION

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

On 29 May 2023, Mr. Sze Irons *BBS JP*, an independent non-executive Director, was appointed as an independent non-executive director of Tongda Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 698).

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 2023, 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 5.46 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 and Note 3</i>)	75.00%
Mr. Wong	Cosmic Bliss Investments Limited (" Cosmic Bliss ") (<i>Note 2 and Note 3</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.
3. Cosmic Bliss entered into a placing agreement on 30 June 2023 with Kingston Securities Limited (the "**Placing Agent**"), pursuant to which the Placing Agent has agreed to procure investor(s) (the "**Placee(s)**") on a best-efforts basis to purchase up to 278,400,000 existing shares of the Company (the "**Placing Shares**") held by the Vendor at a price of not less than HK\$0.1 each (the "**Private Placing**"). The Private Placing ended on 11 July 2023, Cosmic Bliss disposed of 278,400,000 Shares to independent third parties. As at 11 July 2023, Cosmic Bliss held 81,600,000 Shares or 17.0% of the entire issued share capital of the Company.

Save as disclosed above, as at 30 June 2023, 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 of the GEM Listing Rules.

Directors' Rights to Acquire Shares and Debentures

At no time during the six months ended 30 June 2023 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 2023, 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 (<i>Note 1 and Note 3</i>)	The Company	Beneficial owner	360,000,000 Shares	75.00%
Kwan, Vivian Wun-kwan (<i>Note 2 and Note 3</i>)	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, an executive Director.
2. These Shares are registered in the name of Cosmic Bliss, a company wholly owned by Mr. Wong. Ms. Kwan, Vivian Wun-kwan is the spouse of Mr. Wong. By virtue of the provisions in Part XV of the SFO, Ms. Kwan, Vivian Wun-kwan is deemed to be interested in all the Shares Mr. Wong is interested or deemed to be interested.
3. Cosmic Bliss entered into a placing agreement on 30 June 2023 with Kingston Securities Limited (the "**Placing Agent**"), pursuant to which the Placing Agent has agreed to procure investor(s) (the "**Placee(s)**") on a best-efforts basis to purchase up to 278,400,000 existing shares of the Company (the "**Placing Shares**") held by the Vendor at a price of not less than HK\$0.1 each (the "**Private Placing**"). The Private Placing ended on 11 July 2023, Cosmic Bliss disposed of 278,400,000 Shares to independent third parties. As a result of the completion of the Private Placing, as at 11 July 2023, Cosmic Bliss held 81,600,000 Shares or 17.0% of the entire issued share capital of the Company.

Save as disclosed above, as at 30 June 2023, 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 2023 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**") in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference. The full terms of reference setting out details of duties of the Audit Committee are in compliance with the Corporate Governance Code ("**CG Code**") set out in Appendix 15 to the GEM Listing Rules and are available on the websites of the Stock Exchange and the Company. The Audit Committee comprises three independent non-executive Directors, namely Mr. Ng Wing Heng Henry, Mr. Sze Irons, *BBS JP*, and Mr. Fong Kin Tat. Mr. Ng Wing Heng Henry is the chairman of the Audit Committee.

The Audit Committee has reviewed the Group's unaudited condensed interim consolidated financial information for the six months ended 30 June 2023, which have been approved by the Board on 14 August 2023 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 2023 is 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 2023 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 2023 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 & Executive Director

Hong Kong, 14 August 2023

As at the date of this report, 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. Sze Irons BBS JP, Mr. Fong Kin Tat and Mr. Ng Wing Heng, Henry.