

# 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

THIRD QUARTERLY REPORT  
2018

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

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

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

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## CORPORATE INFORMATION

### Board of Directors

#### Executive Directors

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

#### Company Secretary

Mr. Hung Yuk Miu (HKICPA)

#### Authorised Representatives

Mr. Wong Kai Hung Kelvin  
Mr. Hung Yuk Miu

#### Registered Office

Cricket Square, Hutchins Drive  
P.O. Box 2681, Grand Cayman KY1-1111  
Cayman Islands

#### Headquarter and Principal Place of Business in Hong Kong

Room 1006, 10/F., Centre Point  
181-185 Gloucester Road, Wan Chai  
Hong Kong

### Hong Kong Branch Share Registrar

Tricor Investor Services Limited  
Level 22, Hopewell Centre  
183 Queen's Road East, Hong Kong

#### Auditor

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

#### Legal Advisor

Leung & Lau  
Units 7208-10, 72nd Floor  
The Center  
99 Queen's Road Central  
Central  
Hong Kong

#### Compliance Adviser

Sunfund Capital Limited  
Unit 2620, 26/F  
Tower 1, Admiralty Centre  
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

Industrial and Commercial Bank of  
China (Asia) Limited  
1/F 9 Queen's Road Central Hong Kong

China Construction Bank  
Shop A1-001 to A1-003  
First International H5 Block Area A shops  
New Town Center District  
Nancheng District, Dongguan  
Guangdong Province, PRC

#### Company's Website

[www.smart-team.cn](http://www.smart-team.cn)

#### Stock Code

8521

## FINANCIAL HIGHLIGHTS

The Group recorded revenue and gross profit of approximately HK\$150,815,000 and HK\$59,654,000 for the nine months ended 30 September 2018, representing an increase of approximately 54.2% and 47.6% respectively compared with revenue and gross profit of approximately HK\$97,793,000 and HK\$40,416,000 for the nine months ended 30 September 2017 which was mainly due to increase in sales orders from existing major customers as well as the introduction of new customers during the nine months ended 30 September 2018. The new functional knitted fabrics developed by the Group have also contributed to the increase in the Group's revenue during the nine months ended 30 September 2018.

The net profit after tax of the Group for the nine months ended 30 September 2018 increased by approximately 37.7% to approximately HK\$26,479,000 (nine months ended 30 September 2017: HK\$19,233,000). It was mainly due to the increase in gross profit, set-off partly by the increase in administrative and other expenses during the nine months ended 30 September 2018.

The board of Directors (the "**Board**") does not recommend the payment of a dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: Nil).

The Board is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the three months and nine months ended 30 September 2018 together with comparative figures for the last corresponding period as follows:

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and nine months ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	4	67,508	52,013	150,815	97,793
Cost of sales		(43,287)	(30,298)	(91,161)	(57,377)
Gross profit		24,221	21,715	59,654	40,416
Other income		786	983	1,554	1,545
Selling and distribution expenses		(1,025)	(670)	(3,544)	(2,101)
Administrative and other expenses		(4,988)	(1,664)	(24,770)	(15,987)
Finance costs	6	(91)	(82)	(243)	(144)
Profit before tax		18,903	20,282	32,651	23,729
Income tax expenses	7	(2,393)	(3,114)	(6,172)	(4,496)
Profit for the period	8	16,510	17,168	26,479	19,233
<b>Other comprehensive (expense) income for the period</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences arising on translation of foreign operations	8	(3,335)	1,294	(4,658)	2,106
Total comprehensive income for the period		13,175	18,462	21,821	21,339

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2018	2017	2018	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to:					
Owners of the Company		<b>15,913</b>	17,126	<b>26,455</b>	19,391
Non-controlling interests		<b>597</b>	42	<b>24</b>	(158)
		<b>16,510</b>	17,168	<b>26,479</b>	19,233
Total comprehensive income (expense) for the period attributable to:					
Owners of the Company		<b>12,577</b>	18,435	<b>21,779</b>	21,513
Non-controlling interests		<b>598</b>	27	<b>42</b>	(174)
		<b>13,175</b>	18,462	<b>21,821</b>	21,339
Earnings per share					
– basic and diluted (HK\$ cents)	9	<b>3.32</b>	4.76	<b>6.29</b>	5.39

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2018

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note a)	Statutory reserve HK\$'000 (Note b)	Retained earnings HK\$'000	Exchange reserve HK\$'000			
<b>At 1 January 2017 (audited)</b>	-	-	335	1,807	34,008	(2,554)	33,596	(220)	33,376
Profit (loss) for the period	-	-	-	-	19,391	-	19,391	(158)	19,233
Exchange differences arising on translation of foreign operations	-	-	-	-	-	2,122	2,122	(16)	2,106
Total comprehensive income (expense) for the period	-	-	-	-	19,391	2,122	21,513	(174)	21,339
Transfer to the People's Republic of China (the "PRC") statutory reserve	-	-	-	2,703	(2,703)	-	-	-	-
<b>At 30 September 2017 (unaudited)</b>	-	-	335	4,510	50,696	(432)	55,109	(394)	54,715
<b>At 1 January 2018 (audited)</b>	-	-	335	4,941	51,126	539	56,941	(315)	56,626
Profit for the period	-	-	-	-	26,455	-	26,455	24	26,479
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(4,676)	(4,676)	18	(4,658)
Total comprehensive income (expense) for the period	-	-	-	-	26,455	(4,676)	21,779	42	21,821
Issue of shares	100	-	(100)	-	-	-	-	-	-
Contribution from shareholder (Note a)	-	-	2,000	-	-	-	2,000	-	2,000
Issue of shares by capitalisation of share premium account	1,200	68,400	-	-	-	-	69,600	-	69,600
Issue of shares pursuant to placing and public offering	-	(11,511)	-	-	-	-	(11,511)	-	(11,511)
Expenses incurred in connection with issue of new shares	3,500	(3,500)	-	-	-	-	-	-	-
Transfer to PRC statutory reserve	-	-	-	989	(989)	-	-	-	-
<b>At 30 September 2018 (unaudited)</b>	<b>4,800</b>	<b>53,389</b>	<b>2,235</b>	<b>5,930</b>	<b>76,592</b>	<b>(4,137)</b>	<b>138,809</b>	<b>(273)</b>	<b>138,536</b>



Notes:

(a) Capital reserve

Capital reserves represents (i) the difference between the consideration paid for acquisition of non-controlling interest of Dongguan Smart Union Textiles Technology Co., Ltd. (東莞聯兆紡織科技有限公司) (“**Smart Union**”) and the carrying amount of the non-controlling interest and (ii) the contribution from the shareholder pursuant to a deed of waiver dated 23 April 2018 executed by the shareholder and director of the Company, Mr. Wong Kai Hung Kelvin (“**Mr. Wong**”) and a subsidiary of the Company, Smart Team Textiles Technology Limited (“**Smart Team**”), whereby an outstanding sum in the amount of HK\$2,000,000 owed by Smart Team to Mr. Wong as at 30 April 2018 was irrevocably and unconditionally waived by Mr. Wong.

(b) Statutory reserve

According to The People’s Republic of China (the “**PRC**”) Company Law, companies in the PRC are required to transfer 10% of their respective after-tax profits, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The statutory reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital. The statutory reserve is not distributable as cash dividends and must be made before distribution of dividend to equity owners.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three and nine months ended 30 September 2018

## 1. GENERAL INFORMATION

ST International Holdings Company Limited (the "**Company**") was incorporated in the Cayman Islands, under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 21 February 2017 and its shares were listed on GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 May 2018.

The parent and the ultimate holding company of the Company is Cosmic Bliss Investments Limited, a company incorporated in the British Virgin Islands (the "**BVI**"). The ultimate controlling party is Mr. Wong.

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the principal place of business of the Company is Room 1006, 10/F., Centre Point, 181-185 Gloucester Road, Wan Chai, Hong Kong.

The Company is an investment holding company and its principal subsidiaries are principally engaged in sales of functional knitted fabrics and apparel.

The condensed consolidated financial information are presented in thousands of units of Hong Kong dollars ("**HK\$**"), which is also the functional currency of the Company and its Hong Kong subsidiary. Renminbi ("**RMB**") is the functional currency of the PRC subsidiaries of the Company.

## 2. BASIS OF PREPARATION

- (i) Pursuant to the reorganisation as described in the section headed "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 30 April 2018 (the "**Prospectus**"), the Company became the holding company of the companies now comprising the Group on 28 February 2018 (the "**Reorganisation**").

The companies now comprising the Group have been under the common control and beneficially owned by Mr. Wong before and after the Reorganisation. Accordingly, the Reorganisation has been accounted for as if the Company had always been the holding company of the companies comprising the Group for the nine months ended 30 September 2017.

The condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of changes in equity have been prepared as if the current group structure had been in existence for the nine months ended 30 September 2017.

### 3. PRINCIPAL ACCOUNTING POLICIES

For the purpose of preparing and presenting the condensed consolidated financial information for the nine months ended 30 September 2018, the Group has consistently adopted all the new and revised HKFRSs, which include HKFRSs, HKASs, amendments and interpretations (“**Int(s)**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) which are effective for the Group’s financial year beginning on 1 January 2018.

The condensed consolidated financial information have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial information are consistent with those used in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2017 as included in the Accountants’ Report in the Appendix I to the Prospectus except for the new accounting policies as set out below.

#### **Change in accounting policies**

##### ***HKFRS 15 Revenue from Contracts with Customers***

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- i) Identify the contract with the customer;
- ii) Identify the performance obligations in the contract;
- iii) Determine the transaction price;
- iv) Allocate the transaction price to the performance obligations; and
- v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 has superseded the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

HKFRS 15 is effective for the Group’s financial year beginning on or after 1 January 2018.

The major sources of revenue of the Group are sales of goods. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good is transferred to a customer. The directors of the Company have assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the condensed consolidated financial information. However, the directors of the Company expect that the adoption of HKFRS 15 does not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 30 September 2018.

### ***HKFRS 9 (2014) Financial Instruments***

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“**FVTOCI**”) measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an “expected credit loss” model for impairment assessments.

HKFRS 9 (2014) is effective for the Group’s financial year beginning on or after 1 January 2018.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKFRS 9 (2014) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purpose.

The directors of the Company has performed an analysis of the Group's financial instruments as at 30 September 2018 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) *Classification and measurement*

The directors of the Company have continued recognising initially at fair value for all financial assets which are subsequently measured at amortised costs or at fair value through profit or loss. The directors of the Company anticipate that the adoption of HKFRS 9 (2014) does not have a material impact on the classification and measurement of the financial assets.

(b) *Impairment*

The directors of the Company have applied the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables.

The directors of the Company have performed a more detailed analysis which considers all reasonable and supportable information for the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the directors of the Company expect that the adoption of HKFRS 9 (2014) does not have other material impact on amounts reported in the Group's condensed consolidated financial information.

#### 4. REVENUE

Revenue represents the amounts received and receivable from sales of goods in the normal course of business, net of sales related tax.

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Three months ended 30 September		Nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Sales of functional knitted fabrics	60,032	41,806	141,352	85,764
Sales of apparel	7,476	9,367	9,441	10,670
Sales of other products	-	840	22	1,359
	67,508	52,013	150,815	97,793

## 5. SEGMENT INFORMATION

Operating segments and the amounts of each segment item reported in the condensed consolidated financial information are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of the Group's various lines of business and geographical locations.

The Group is organised into a single operating segment as sales of functional knitted fabrics and apparel primarily in the PRC and all revenue, expenses, results, assets and liabilities and capital expenditures are predominantly attributable to this single segment. Accordingly, no segment analysis by business and geographical information is presented.

### Information about major customers

Revenue from customers of the corresponding periods contributing over 10% of the total revenue of the Group is as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Customer A <sup>2</sup>	13,599	5,478	46,460	24,515
Customer B <sup>1&amp;3</sup>	5,443	15,042	10,798	21,114
Customer C <sup>2&amp;3</sup>	3,045	10,273	5,731	10,273
Customer D <sup>1&amp;3</sup>	10,718	–	24,829	–

<sup>1</sup> Revenue from sales of functional knitted fabrics.

<sup>2</sup> Revenue from sales of functional knitted fabrics and apparel.

<sup>3</sup> The corresponding revenue from the customer in one or more of the corresponding period(s) did not contribute over 10% of the total revenue of the Group in the corresponding period(s).

## 6. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interests on bank borrowings and overdrafts	91	82	243	144

## 7. INCOME TAX

	Three months ended		Nine months ended	
	30 September		30 September	
	2018	2017	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
PRC Enterprise Income Tax ("EIT")	<b>2,393</b>	3,132	<b>6,707</b>	4,523
Deferred taxation	-	(18)	<b>(535)</b>	(27)
	<b>2,393</b>	3,114	<b>6,172</b>	4,496

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the nine months ended 30 September 2018 and 2017.

No provision for Hong Kong Profits Tax has been made as the group company in Hong Kong has no assessable profits for the nine months ended 30 September 2018.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the tax rate of the subsidiaries of the Company established in the PRC is 25% for the nine months ended 30 September 2018 and 2017.

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

One of the Group's subsidiaries established in the PRC is recognised as a High and New-Technology Enterprise which has been granted tax concessions by the local tax bureau and is entitled to PRC EIT at a concessionary tax rate of 15% from 1 January 2016 to 31 December 2018.



## 8. PROFIT FOR THE PERIOD

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

	Three months ended 30 September		Nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Staff costs:				
Salaries, allowances and other benefits	<b>1,702</b>	4,571	<b>12,075</b>	10,982
Contributions to retirement benefits scheme	<b>332</b>	235	<b>1,058</b>	760
	<b>2,034</b>	4,806	<b>13,133</b>	11,472
Amount of inventories recognised as an expense	<b>43,287</b>	30,298	<b>91,161</b>	57,377
Depreciation of plant and equipment	<b>275</b>	168	<b>737</b>	542
Interest income	<b>(108)</b>	(86)	<b>(341)</b>	(86)
Listing expenses	<b>-</b>	-	<b>10,856</b>	6,428
Operating lease rentals in respect of rented premises	<b>560</b>	349	<b>1,237</b>	761
Research and development expenses ( <i>note</i> )	<b>3,415</b>	1,898	<b>6,059</b>	3,675
Exchange (gain) loss, net	<b>(232)</b>	(5)	<b>(215)</b>	-

*Note:*

The research and development expenses disclosed herein excluded salaries, allowances and other benefits of approximately HK\$402,000 and HK\$2,193,000 for the three months and nine months ended 30 September 2018 (Three months and nine months ended 30 September 2017: HK\$363,000 and HK\$1,192,000 respectively) and contributions to retirement benefits scheme of approximately HK\$38,000 and HK\$181,000 for the three months and nine months ended 30 September 2018 respectively (Three months and nine months ended 30 September 2017: HK\$69,000 and HK\$150,000 respectively) which had been included in salaries, allowances and other benefits disclosed above.

## 9. EARNING PER SHARE

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

	Three months ended 30 September 2018		Nine months ended 30 September 2018	
	Notes	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company	15,913	17,126	26,455	19,391
	Three months ended 30 September 2018		Nine months ended 30 September 2018	
	Notes	2017	2018	2017
	'000	'000	'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	480,000	360,000	420,882	360,000

The weighted average numbers of ordinary shares for the purpose of calculating basic earnings per share for the three months and nine months ended 30 September 2017 have been retrospectively adjusted to take into account the effects of the capitalisation issue pursuant to the Reorganisation as stated in note 2.

Diluted earnings per share were the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the three months and nine months ended 30 September 2017 and 2018.

## 10. DIVIDENDS

No dividend was paid or proposed during the nine months ended 30 September 2017 and 2018, nor has any dividend been proposed since the end of the reporting period.

## 11. RELATED PARTY TRANSACTIONS

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

### (a) Purchases

	Three months ended 30 September		Nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Purchases from a related company (Note)	303	-	303	-

Note:

Purchases of materials from 中山市大涌線廠有限公司 (Zhongshan Da Chong Elastic Thread Factory Ltd.\*) a related company for the three months ended 30 September 2018 were made on terms mutually agreed by the parties and with reference to the prevailing market prices of the materials under the purchases agreement.

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

### (b) Compensation of key management personnel

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

	Three months ended 30 September		Nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Short-term benefits	922	761	2,541	1,713
Post-employment benefits	24	21	51	44
	946	782	2,592	1,757

The remuneration of the key management personnel is determined by the board of directors of the Company having regards to the performance of individual directors and market norms.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the unaudited condensed consolidated financial information of the Group for the three and nine months ended 30 September 2018, together with the comparative figures for the corresponding periods in 2017. This information should be read in conjunction with the prospectus of the Company dated 30 April 2018 (the "**Prospectus**").

### Business Review and Outlook

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

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

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

During the nine months ended 30 September 2018, the Group has continued to grow its business through promoting existing functional knitted fabrics and developing new functional knitted fabrics to the customers. The Group has also continued to recruit new talented sales and marketing executives to develop new markets during the nine months ended 30 September 2018.

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

## Financial Review

### Revenue

The following table set forth an analysis of our revenue by products during the three months and nine months ended 30 September 2018 and 2017.

	Three months ended		Nine months ended	
	30 September 2018 HK\$'000	30 September 2017 HK\$'000	30 September 2018 HK\$'000	30 September 2017 HK\$'000
Sales of functional knitted fabrics	60,032	41,806	141,352	85,764
Sales of apparel	7,476	9,367	9,441	10,670
Sales of other products	-	840	22	1,359
	<b>67,508</b>	52,013	<b>150,815</b>	97,793

The Group's revenue increased by approximately HK\$53,022,000 or 54.2%, from approximately HK\$97,793,000 for the nine months ended 30 September 2017 to approximately HK\$150,815,000 for the nine months ended 30 September 2018. The increase was mainly due to the increase in revenue from sales of functional knitted fabrics which was resulted from the increase in sales orders from the existing major customers as well as the introduction of new customers during the nine months ended 30 September 2018. The new functional knitted fabrics developed by the Group have also contributed to the increase in the Group's revenue during the nine months ended 30 September 2018.

### Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$19,238,000, or 47.6%, from approximately HK\$40,416,000 for the nine months ended 30 September 2017 to approximately HK\$59,654,000 for the nine months ended 30 September 2018. The increase was in line with the increase in revenue. The gross profit margin decreased by approximately 1.7% from approximately 41.3% for the nine months ended 30 September 2017 to approximately 39.6% for the nine months ended 30 September 2018. The decrease in gross profit margin was mainly due to the depreciation of Renminbi during the nine months ended 30 September 2018 compared with the corresponding period in 2017.

### ***Selling and distribution expenses***

The Group's selling and distribution expenses increased by approximately HK\$1,443,000, or 68.7%, from approximately HK\$2,101,000 for the nine months ended 30 September 2017 to approximately HK\$3,544,000 for the nine months ended 30 September 2018 which was mainly due to increase in staff cost as the number of sales and marketing executives has been increased compared with nine months ended 30 September 2017.

### ***Administrative and other expenses***

The Group's administrative and other expenses increased by approximately HK\$8,783,000, or 54.9%, from approximately HK\$15,987,000 for the nine months ended 30 September 2017 to approximately HK\$24,770,000 for the nine months ended 30 September 2018. The increase was mainly due to (i) the increase of the one-off listing expenses of approximately HK\$4,428,000; (ii) the increase in staff costs; (iii) the increase in rental expenses and depreciation as a result of the expansion of our Dongguan headquarter; and (iv) the increase in consultancy and professional fees incurred for our compliance requirements upon Listing.

### ***Income tax expenses***

For the nine months ended 30 September 2018 and 2017, our income tax expenses were approximately HK\$6,172,000 and HK\$4,496,000, respectively, and our effective tax rate (excluding the non-recurring listing expenses) for the same period was approximately 14.2% and 14.9%, respectively.

### ***Profit for the period attributable to owners of the Company***

As a result of the foregoing, the profit for the period attributable to owners of the Company increased from approximately HK\$19,391,000 for the nine months ended 30 September 2017 to approximately HK\$26,455,000 for the nine months ended 30 September 2018.

### ***Dividend***

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: Nil).

## **Future Plans for Material Investments and Capital Assets**

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

## **Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies**

For the nine months ended 30 September 2018, the Group did not have any material acquisitions or disposals of subsidiaries or affiliated companies save for those related to the internal reorganisation, details of which are set out in the Prospectus.

## **Significant Investment Held**

The Group did not hold any significant investments during the nine months ended 30 September 2018.

## **Commitments and Contingent Liabilities**

As at 30 September 2018, the Group had no material capital commitments and contingent liabilities.

## **Employees and Remuneration Policies**

As at 30 September 2018, the Group had 96 employees (30 September 2017: 99) 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 amount of approximately HK\$13,133,000 and HK\$11,742,000 for the nine months ended 30 September 2018 and 2017, 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.

## 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 September 2018, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which are (a) recorded in the register required to be kept under section 352 of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); or (b) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard dealings by directors of listed issuer as referred to in Rule 5.47 of the GEM Listing Rules were as follows:

### *Long Positions in the Shares or the ordinary shares of the associated corporations of the Company*

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

*Notes:*

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

Save as disclosed above, as at 30 September 2018, none of the Directors or chief executive of the Company nor their associates had registered an interest or short position in any Shares or underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.



## Directors' Rights to Acquire Shares and Debentures

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

## Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares of the Company

So far as is known to any Directors or chief executive of the Company, as at 30 September 2018, the following persons (other than Directors or chief executive of the Company whose interests are disclosed under the paragraph headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above) have interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

### Long positions in the Shares of the Company

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

#### Notes:

- 1 The entire issued share capital of Cosmic Bliss is wholly owned by Mr. Wong, 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 September 2018, 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 nine months ended 30 September 2018 and up to the date of this report, none of the Directors or the substantial shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) is interested in any business which competes or may compete, either directly or indirectly, with the business of the Group nor has or may have any conflicts of interest with any business of the Group.

## Audit Committee

The Company has established the audit committee (the “**Audit Committee**”) on 23 April 2018 in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and with written terms of reference. The terms of reference setting out details of duties of the Audit Committee are in compliance with the Corporate Governance Code (the “**CG Code**”) set out in Appendix 15 to the GEM Listing Rules and are available on the websites of the Stock Exchange and the Company. The Audit Committee comprises three independent non-executive Directors, namely Mr. Ng Wing Heng Henry, Mr. Sze Irons, BBS JP, Mr. Fong Kin Tat. Mr. Ng Wing Heng Henry is the chairman of the Audit Committee.

The Audit Committee has reviewed the Group’s unaudited condensed consolidated financial information for the nine months ended 30 September 2018, which have been approved by the Board on 12 November 2018 prior to its issuance. The Audit Committee is of the view that the unaudited condensed consolidated financial information for the nine months ended 30 September 2018 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 (the “**Code of Conduct**”) regarding the dealing in securities of the Company by the Directors in accordance with Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has confirmed, having made specific enquiries of all Directors, that all Directors have complied with the Code of Conduct since the Listing Date and up to the date of this report.

## Purchase, Sale or Redemption of Listed Securities of the Company

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

## Corporate Governance Practices

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

## Interest of the Compliance Adviser

As notified by Sunfund Capital Limited ("**Sunfund**"), the Company's compliance adviser, save for the compliance agreement entered into between the Company and Sunfund dated 7 April 2017 in connection with the Listing, none of Sunfund or its directors, employees or close associates (as defined in the GEM Listing Rules) had any interest in the Group as at 30 September 2018 and up to the date of this report, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Hong Kong, 12 November 2018

*As at the date of this report, the executive Directors are Mr. Wong Kai Hung Kelvin, Mr. Xi Bin and 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.*