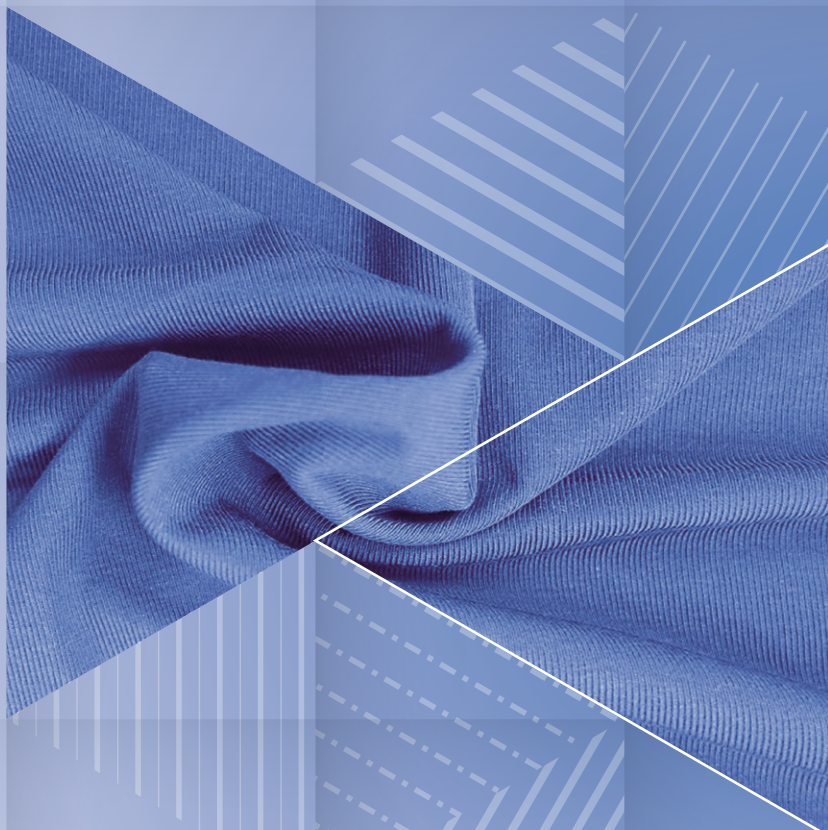


ST International Holdings Company Limited 智紡國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8521



Third Quarterly Report
2019

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

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

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

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

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

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

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CORPORATE INFORMATION

Board of Directors

Executive Directors

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

Non-Executive Director

Mr. Hung Yuk Miu

Independent non-executive Directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Compliance Officer

Mr. Wong Kai Hung Kelvin

Company Secretary

Mr. Chan Chi Yeung, CPA

Authorised Representatives

Mr. Wong Kai Hung Kelvin
Mr. Chan Chi Yeung

Registered Office

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 54, Hopewell Centre
183 Queen's Road East, Hong Kong

Auditor

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

Legal Advisor

LCH Lawyers LLP
Room 702
Admiralty Centre Tower One
18 Harcourt Road
Admiralty
Hong Kong

Compliance Adviser

First Shanghai Capital Limited
19/F, Wing On House
71 Dex Voeux Road Central
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited

HSBC Main Building
1 Queen's Road Central, Hong Kong

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

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

Company's Website

www.smart-team.cn

Stock Code

8521

FINANCIAL HIGHLIGHTS

The Group recorded revenue and gross profit of approximately HK\$131,010,000 and HK\$49,567,000 for the nine months ended 30 September 2019, representing a decrease of approximately 13.1% and 16.9% respectively compared with revenue and gross profit of approximately HK\$150,815,000 and HK\$59,654,000 for the nine months ended 30 September 2018 which was mainly due to decrease in sales orders from existing major customers as well as the decrease in selling price during the nine months ended 30 September 2019.

The net profit after tax of the Group for the nine months ended 30 September 2019 increased by approximately 14.1% to approximately HK\$30,209,000 (nine months ended 30 September 2018: HK\$26,479,000). It was mainly due to the combined effect of the absence of a one-off listing expenses of approximately HK\$10,856,000 incurred during the nine months ended 30 September 2018 and a decrease in income tax expenses of approximately HK\$3,176,000, partly offset by a decrease in gross profit of approximately HK\$10,087,000.

The board of Directors (the "**Board**") does not recommend the payment of a dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: 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 2019 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 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	4	45,698	67,508	131,010	150,815
Cost of sales		(25,704)	(43,287)	(81,443)	(91,161)
Gross profit		19,994	24,221	49,567	59,654
Other income		659	786	1,166	1,554
Selling and distribution expenses		(1,084)	(1,025)	(3,771)	(3,544)
Administrative and other expenses		(3,814)	(4,988)	(13,454)	(24,770)
Finance costs	6	(57)	(91)	(303)	(243)
Profit before tax		15,698	18,903	33,205	32,651
Income tax expenses	7	(16)	(2,393)	(2,996)	(6,172)
Profit for the period	8	15,682	16,510	30,209	26,479
Other comprehensive expense for the period					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences arising on translation of foreign operations	8	(4,031)	(3,335)	(4,889)	(4,658)
Total comprehensive income for the period		11,651	13,175	25,320	21,821

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2019	2018	2019	2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period attributable to:					
Owners of the Company		15,682	15,913	30,209	26,455
Non-controlling interests		-	597	-	24
		15,682	16,510	30,209	26,479
Total comprehensive income for the period attributable to:					
Owners of the Company		11,651	12,577	25,320	21,779
Non-controlling interests		-	598	-	42
		11,651	13,175	25,320	21,821
Earnings per share					
– basic and diluted (HK\$ cents)	9	3.27	3.32	6.29	6.29

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2019

	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			
At 1 January 2018 (audited)	-	-	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)	-	-	-	-
At 30 September 2018 (unaudited)	4,800	53,389	2,235	5,930	76,592	(4,137)	138,809	(273)	138,536
At 1 January 2019 (audited)	4,800	53,389	2,235	5,797	74,551	(3,466)	137,306	(411)	136,895
Profit for the period	-	-	-	-	30,209	-	30,209	-	30,209
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(4,889)	(4,889)	-	(4,889)
Total comprehensive income (expense) for the period	-	-	-	-	30,209	(4,889)	25,320	-	25,320
Changes in ownership interest in subsidiaries	-	-	(411)	-	-	-	(411)	411	-
At 30 September 2019 (unaudited)	4,800	53,389	1,824	5,797	104,760	(8,355)	162,215	-	162,215

Notes:

(a) Capital reserve

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

(b) Statutory reserve

According to The People’s Republic of China (the “**PRC**”) Company Law, companies in the PRC are required to transfer 10% of their respective after-tax profits, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The statutory reserve can be utilised, upon approval of the relevant authorities, to offset 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 2019

1. GENERAL INFORMATION

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

The parent and the ultimate holding company of the Company is Cosmic Bliss Investments Limited, 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

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2019 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of the GEM Listing Rules. HKFRSs include Hong Kong Accounting Standards and interpretations. The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated financial statements for the nine months ended 30 September 2019 are consistent with those adopted in the annual report for the year ended 31 December 2018 except for the adoption of new or revised HKFRSs which include HKFRSs, HKASs, amendments and interpretations issued by the HKICPA effective for the Group's financial year beginning on 1 January 2019.

The measurement basis used in the preparation of the unaudited condensed consolidated financial statements is the historical cost basis.

3. PRINCIPAL ACCOUNTING POLICIES

In the current period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2019:

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

The adoption of HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed consolidated financial information. The new accounting policies are set out in note 3.3 below. The application of other new and amendments to HKFRSs in the current 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 consolidated financial information.

3.1 Impacts on adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3.3. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

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

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

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

3.1 Impacts on adoption of HKFRS 16 Leases (Continued)

The Group as lessee

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

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

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

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

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

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.2 Practical expedients applied

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

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

3.3 Change in accounting policies

Leases

Definition of a lease

Under HKFR 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Group is lessee. The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.3 Change in accounting policies *(Continued)*

Lease liabilities

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

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

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

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.3 Change in accounting policies *(Continued)*

Right-of-use assets

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

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

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

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

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

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

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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15				
Disaggregated by major products				
Sales of functional knitted fabrics	39,736	60,032	119,358	141,352
Sales of apparel	5,776	7,476	11,057	9,441
Sales of other products	186	–	595	22
	45,698	67,508	131,010	150,815

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.

5. SEGMENT INFORMATION *(Continued)*

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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Customer A	13,996	13,599	47,482	46,460
Customer B ¹	2,694	10,718	17,319	24,829
Customer C ¹	8,759	5,443	14,273	10,798

¹ 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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interests on:				
– Bank borrowings and overdrafts	31	91	224	243
– Lease liabilities <i>(Note)</i>	26	–	79	–
	57	91	303	243

Note:

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

7. INCOME TAX

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
– PRC Enterprise Income Tax (“EIT”)	1,069	2,393	4,049	6,707
Deferred taxation	(1,053)	–	(1,053)	(535)
	16	2,393	2,996	6,172

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 2019 and 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 2019 and 2018.

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

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

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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Staff costs:				
Salaries, allowances and other benefits	2,989	1,702	10,569	12,075
Contributions to retirement benefits scheme	184	332	577	1,058
	3,173	2,034	11,146	13,133
Amount of inventories recognised as an expense	25,704	43,287	81,443	91,161
Depreciation of plant and equipment	454	275	1,201	737
Depreciation of right-of-use assets (note 2)	281	–	803	–
Interest income	(96)	(108)	(228)	(341)
Listing expenses	–	–	–	10,856
Operating lease rentals in respect of rented premises	–	560	–	1,237
Expenses relating to short term lease (note 2)	50	–	154	–
Research and development expenses (note 1)	746	3,415	2,901	6,059
Exchange (gain) loss, net	–	(232)	35	(215)

Note:

- (1) The research and development expenses disclosed herein excluded salaries, allowances and other benefits of approximately HK\$2,619,000 for the nine months ended 30 September 2019 (nine months ended 30 September 2018: HK\$2,193,000) and contributions to retirement benefits scheme of approximately HK\$97,000 for the nine months ended 30 September 2019 (nine months ended 30 September 2018: HK\$125,000) which had been included in salaries, allowances and other benefits disclosed above.
- (2) The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated.

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		Nine months ended 30 September	
	2019	2018	2019	2018
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit attributable to owners of the Company	15,682	15,913	30,209	26,455

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
<i>Notes</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>	<i>'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	480,000	480,000	480,000	420,882

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 2018 have been retrospectively adjusted to take into account the effects of the capitalisation issue pursuant to the Reorganisation as described in the sub-section headed "5. Resolution in writing of our sole Shareholder passed on 23 April 2018" in Appendix IV of the prospectus of the Company dated 30 April 2018.

Diluted earnings per share were the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the three months and nine months ended 30 September 2018 and 2019.

10. DIVIDENDS

No dividend was paid or proposed during the nine months ended 30 September 2018 and 2019, 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) Transactions with related parties

	Three months ended 30 September 2019		Nine months ended 30 September 2019	
	2018 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Purchases from a related company (Note)	-	303	1,364	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 and nine months ended 30 September 2019 (if any) 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) Bank facilities

Mr. Xi Bin, an executive Director, had provided personal guarantee for the bank borrowing of HK\$5,514,000 to the Group for the period ended 30 September 2019. The bank borrowing were repaid during the period ended 30 September 2019 and personal guarantee from Mr. Xi Bin was released as at 30 September 2019.

(c) Compensation of key management personnel

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

	Three months ended 30 September 2019		Nine months ended 30 September 2019	
	2018 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Short-term benefits	929	922	2,701	2,541
Post-employment benefits	14	24	48	51
	943	946	2,749	2,592

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 trends.

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

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

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.

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 2019 and 2018.

	Three months ended		Nine months ended	
	30 September 2019 HK\$'000	30 September 2018 HK\$'000	30 September 2019 HK\$'000	30 September 2018 HK\$'000
Sales of functional knitted fabrics	39,736	60,032	119,358	141,352
Sales of apparel	5,776	7,476	11,057	9,441
Sales of other products	186	-	595	22
	45,698	67,508	131,010	150,815

The Group's revenue decreased by approximately HK\$19,805,000 or 13.1%, from approximately HK\$150,815,000 for the nine months ended 30 September 2018 to approximately HK\$131,010,000 for the nine months ended 30 September 2019. The decrease was mainly due to the decrease in revenue from sales of functional knitted fabrics which was resulted from the decrease in sales orders of functional knitted fabrics from existing major customers partly offset by slight increase in sales orders of apparel from existing customers during the nine months ended 30 September 2019.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$10,087,000, or 16.9%, from approximately HK\$59,654,000 for the nine months ended 30 September 2018 to approximately HK\$49,567,000 for the nine months ended 30 September 2019. The decrease was in line with the decrease in revenue. The gross profit margin decreased by approximately 1.8 percentage points from approximately 39.6% for the nine months ended 30 September 2018 to approximately 37.8% for the nine months ended 30 September 2019. The decrease in gross profit margin was mainly due to the decrease in selling prices of certain products and the depreciation of Renminbi during the nine months ended 30 September 2019 compared with the corresponding period in 2018.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately HK\$227,000, or 6.4%, from approximately HK\$3,544,000 for the nine months ended 30 September 2018 to approximately HK\$3,771,000 for the nine months ended 30 September 2019 which was mainly due to increase in advertising and exhibition expenses and staff cost with increase in the number of sales and marketing executives compared with nine months ended 30 September 2018.

Administrative and other expenses

The Group's administrative and other expenses decreased by approximately HK\$11,316,000, or 45.7%, from approximately HK\$24,770,000 for the nine months ended 30 September 2018 to approximately HK\$13,454,000 for the nine months ended 30 September 2019. The decrease was mainly due to combined effect of (i) absence of the one-off listing expenses of approximately HK\$10,856,000 and (ii) the increase in depreciation of approximately HK\$464,000 as a result of purchase of additional plant and equipment for our Dongguan headquarter.

Income tax expenses

For the nine months ended 30 September 2019 and 2018, our income tax expenses were approximately HK\$2,996,000 and HK\$6,172,000, respectively. Our effective tax rate (excluding the non-recurring listing expenses) for the same period was approximately 9.0% and 14.2%, respectively. Decrease in effective tax rate was attributable to the recognition of deferred tax assets of HK\$1,053,000 for the tax loss probably but not yet utilized by the Group's subsidiaries in the PRC.

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\$26,455,000 for the nine months ended 30 September 2018 to approximately HK\$30,209,000 for the nine months ended 30 September 2019.

Dividends

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: 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 2019, the Group did not have any material acquisitions or disposals of subsidiaries or affiliated companies.

Significant Investment Held

The Group did not hold any significant investments during the nine months ended 30 September 2019.

Commitments and Contingent Liabilities

As at 30 September 2019, the Group had no material capital commitments and contingent liabilities.

Employees and Remuneration Policies

As at 30 September 2019, the Group had 80 employees (30 September 2018: 96) and most of them were working in our Dongguan headquarter. We incurred staff costs inclusive of performance related bonus, bonus and Directors' remuneration in the aggregate amount of approximately HK\$11,146,000 and HK\$13,133,000 for the nine months ended 30 September 2019 and 2018, respectively. We regularly review the performance of our employees and make reference to such performance reviews in our salary review and promotional appraisal in order to attract and retain talented employees.

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 2019, 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 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 ("Mr. Wong")	The Company	Interest in a controlled corporation	360,000,000 Shares (Note 1)	75.00%
Mr. Wong	Cosmic Bliss Investments Limited ("Cosmic Bliss") (Note 2)	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 2019, none of the Directors or chief executive of the Company nor their associates had any interest or short position in any Shares or underlying Shares and/or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions in which they are taken or deemed to have under such provisions of the SFO) or that was required to be recorded in the register kept by the Company pursuant to section 352 of the SFO, or which are required to be notified to the Company and the Stock Exchange, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Directors' Rights to Acquire Shares and Debentures

At no time during the nine months ended 30 September 2019 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 2019, 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 2019, the Directors were not aware of any other person who had or deemed to have interests or short positions in the Shares and underlying Shares which has disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO.

Competing Interests

During the nine months ended 30 September 2019 and up to the date of this report, none of the Directors or the substantial shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) is interested in any business which competes or may compete, either directly or indirectly, with the business of the Group nor has or may have any conflicts of interest with any business of the Group.

Audit Committee

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

The Audit Committee has reviewed the Group’s unaudited condensed consolidated financial information for the nine months ended 30 September 2019, which have been approved by the Board on 12 November 2019 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 2019 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 during the nine months ended 30 September 2019 and up to the date of this report.

Purchase, Sale or Redemption of Listed Securities of the Company

During the nine months ended 30 September 2019 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 confirmed by First Shanghai Capital Limited ("**First Shanghai**"), the Company's compliance adviser, save for the compliance agreement entered into between the Company and First Shanghai dated 28 May 2019, none of First Shanghai or its directors, employees or close associates (as defined in the GEM Listing Rules) had any interest in the Group as at 30 September 2019 and up to the date of this report, which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

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

Hong Kong, 12 November 2019

As at the date of this report, the executive Directors are Mr. Wong Kai Hung Kelvin and Mr. Xi Bin, the non-executive Director is Mr. Hung Yuk Miu, and the independent non-executive Directors are Mr. Sze Irons BBS JP, Mr. Fong Kin Tat and Mr. Ng Wing Heng, Henry.