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ST INTERNATIONAL HOLDINGS COMPANY LIMITED

智紡國際控股有限公司

(Incorporated in Cayman Islands with limited liability)

(Stock code: 8521)

DISCLOSEABLE TRANSACTION – MACHINE DESIGN AND PURCHASE AGREEMENT

THE MACHINE DESIGN AND PURCHASE AGREEMENT

On 27 November 2018, Smart Team (a wholly-owned subsidiary of the Company) entered into the Machine Design and Purchase Agreement with the Supplier under which the Supplier has undertaken to conduct research, develop and appoint a qualified manufacturer to manufacture the Machine, being a dyeing and finishing machinery which incorporates the nanotechnology and dyeing techniques developed by the Group at the Consideration of HK\$20,000,000.

IMPLICATION UNDER THE GEM LISTING RULES

As the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Transaction exceeds 5% but is less than 25%, the Transaction constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

The Board wishes to announce that, on 27 November 2018, Smart Team and the Supplier entered into the Machine Design and Purchase Agreement in respect of the purchase of the Machine.

The principal terms of the Machine Design and Purchase Agreement are set out below:

THE MACHINE DESIGN AND PURCHASE AGREEMENT

Date

27 November 2018

Parties

- (i) Smart Team
- (ii) Supplier

The Supplier is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in the research and development of dyeing and finishing machinery. To the best of the Directors' knowledge, information and belief and having made all reasonable enquires, the Supplier and its ultimate beneficial owner(s) is an Independent Third Party.

Subject Matter and Consideration

Pursuant to the Machine Design and Purchase Agreement, the Supplier has undertaken to conduct research, develop and appoint a qualified manufacturer to manufacture the Machine, being a dyeing and finishing machinery which incorporates the nanotechnology and dyeing techniques developed by the Group at the Consideration of HK\$20,000,000. The Machine shall comply with all safety requirements of the PRC as well as the relevant laws and regulations of the PRC.

The Consideration shall be settled in the following manner:

- (1) HK\$6,000,000 payable within 10 calendar days upon signing of the Machine Design and Purchase Agreement; and
- (2) the remaining balance of HK\$14,000,000 payable within 6 months upon signing of the Machine Design and Purchase Agreement.

The Consideration, which will be financed by the combination of the net proceeds from IPO and internal resources, was determined after arm's length negotiations by the Parties on normal commercial terms based on, among others, the research, development and manufacturer engagement costs required for the Machine.

Termination Rights

The Parties acknowledge that development of the Machine depends on the feasibility and compatibility of the nanotechnology and dyeing techniques developed by the Group and passing the Testing, the Parties therefore agree that the Machine Design and Purchase Agreement shall be terminated forthwith upon written notice of termination issued by the Supplier or by Smart Team (as to (3) below only) to the other Party in the following circumstances:

- (1) the nanotechnology and dyeing techniques developed by the Group is proven, to a reasonable extent, to be infeasible or incompatible to be incorporated to the design and development of the Machine;

- (2) Smart Team fails or unable to provide the nanotechnology and dyeing techniques developed by the Group within 12 months upon signing of the Machine Design and Purchase Agreement; and
- (3) Smart Team fails to provide an appropriate venue for the purpose of Testing within 12 months upon signing of the Machine Design and Purchase Agreement.

In addition to the above, pursuant to the Machine Design and Purchase Agreement, among others, the Supplier shall, (i) on a best effort basis, deliver the Machine to Smart Team within the Validity Period (defined below); (ii) convene a progress meeting every three months to keep Smart Team informed of the latest progress and development of the Machine; and (iii) commence the necessary research required for the development of the Machine within one month upon Smart Team's provision of the nanotechnology and dyeing techniques developed by the Group, failing which, the Machine Design and Purchase Agreement shall also be terminated forthwith upon written notice of termination issued by Smart Team to the Supplier.

In the event that the Machine Design and Purchase Agreement is terminated under any of the above circumstances, the Supplier shall be entitled to a fee equals to HK\$200,000 ("**Non-refundable Cost**") notwithstanding the termination and the Supplier shall, within 14 calendar days of termination, refund a sum equals to the all or part of the Consideration paid after deducting the Non-refundable Cost and other reasonable expenses incurred by the Supplier to Smart Team.

Intellectual Property Rights and Restrictions

All intellectual property rights and know-how ("**IP Rights**") of all forms and description that are related to or derived from the Machine (after passing the Testing and that the Machine has been installed in the premises of Smart Team or any member of the Group) shall belong to Smart Team and the Supplier jointly. On the other hand, in case the Machine could not pass the Testing, all IP Rights shall belong to the Supplier.

Without the written consent from the other Party, each Party shall not transfer, assign or otherwise dispose of any of the IP Rights to any third party nor shall authorise the use or apply the IP Rights in any commercial activities.

Term

The validity period ("**Validity Period**") of the Machine Design and Purchase Agreement shall be from the date of signing until 31 December 2019. In case Smart Team fails to make available of the nanotechnology and dyeing techniques developed by the Group to the Supplier within 6 months upon signing of the Machine Design and Purchase Agreement, the Validity Period shall be extended for a further term of 6 months.

REASONS FOR, AND BENEFITS OF ENTERING INTO THE MACHINE DESIGN AND PURCHASE AGREEMENT

The Company is a provider of functional knitted fabrics in the PRC. The Company designs functional knitted fabrics through their product innovation capabilities, sources raw materials comprising primarily synthetic fibres and yarns and engages third party factories to carry out production processes comprising yarn spinning, knitting and dyeing for direct sales of functional knitted fabrics to customers.

As stated in its Prospectus, one of the Group's principal strategies and future plans is to strengthen its innovation capabilities and increase research and development as well as product testing resources.

On the other hand, the Supplier has the expertise in research and development of dyeing and finishing machine and will also be responsible for arranging engagement of a reputable machine manufacturer for manufacturing the Machine.

The Directors are therefore of the view that the Machine Design and Purchase Agreement represents a good opportunity for the Parties to leverage on their respective strengths and resources to jointly pursue and accelerate the development of the Machine. With the successful manufacture of the Machine and its future application to the Group's fabrics business, the Group's market position will be further enhanced and strengthened.

The terms of the Machine Design and Purchase Agreement were determined after arm's length negotiations between the Parties and the Directors are of the view that the terms of the Machine Design and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE GEM LISTING RULES

As the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Transaction exceeds 5% but is less than 25%, the Transaction constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the notification and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Company”	ST International Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on GEM
“connected person(s)”	has the meaning as ascribed to it in the GEM Listing Rules
“Consideration”	the aggregate consideration of HK\$20,000,000
“Director(s)”	the director(s) of the Company
“GEM”	the GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party who is not a connected person (within the meaning of the GEM Listing Rules) of the Company and associates (within the meaning of the GEM Listing Rules) of such connected persons
“IPO”	initial public offering of the Shares conducted in May 2018
“Machine”	a dyeing and finishing machine which incorporates the nanotechnology and dyeing techniques developed by the Group
“Machine Design and Purchase Agreement”	the Machine Design and Purchase Agreement dated 27 November 2018 entered into between Smart Team and the Supplier in relation to the purchase of the Machine

“Parties”	Smart Team and the Supplier, each of them a “Party”
“PRC”	the People’s Republic of China, which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 30 April 2018
“Smart Team”	Smart Team Textiles Technology Limited (兆天紡織科技有限公司), a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of the Company
“Share(s)”	the ordinary shares in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplier”	a company incorporated with limited liability under the laws of British Virgin Islands and an Independent Third Party
“Testing”	certain testing that the Machine has to pass, to be conducted in specific venue in compliance with the relevant applicable environmental laws, rules and regulations in the PRC
“Transaction”	the transaction contemplated under the Machine Design and Purchase Agreement
“%”	per cent.

On behalf of the Board
ST International Holdings Company Limited
Wong Kai Hung Kelvin
Chairman

Hong Kong, 27 November 2018

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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