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**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)**

# PROFIT WARNING

This announcement is made by ST International Holdings Company Limited ("**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 17.10(2) of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited ("**GEM Listing Rules**") and the Inside Information Provisions (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board ("**Board**") of directors ("**Directors**") of the Company wishes to inform the shareholders of the Company ("**Shareholders**") and potential investors that, based on the preliminary assessment of the latest unaudited consolidated management accounts of the Group for the year ended 31 December 2020 ("**FY2020**") and the information currently available, the net profit after tax of the Group is expected to substantially decrease by not less than 80% (for the year ended 31 December 2019 ("**FY2019**"): HK$35.0 million). Such decrease was mainly attributable to (i) the decrease in revenue of not less than 35% (FY2019: HK$191.2 million); (ii) the decrease in gross profit margin by not less than 8 percentage points (FY2019: 32.0%); and (iii) the continuous incurrence of the non-variable administrative and other expenses notwithstanding the decrease in revenue (FY2019: HK$19.2 million).

## REVENUE

The Directors attribute the aforementioned decrease in revenue of not less than 35% for FY2020 as compared to FY2019 due to the outbreak of coronavirus pandemic ("**COVID-19**") since early 2020 which is still subsisting at the date of this announcement. As a result of the pandemic, the Group suffered a temporary suspension of operation of its subsidiaries in the People's Republic of China ("**PRC**") during the first quarter of 2020 and the business operations of the Group's customers in the PRC were also temporarily disrupted during the same period. As the market and the economy is weakened in general, the customers of the Group were more prudent in placing orders with the Group. Thanks for the effort of management of the Group in actively looking for new customers and purchase orders in the second half of 2020, the revenue of the Group for the second half of 2020 improved significantly when compared to the first half of 2020. While the revenue of the Group for the second half of 2020 represents a decrease of not less than 25% when compared to the second half of 2019, such revenue also represents an increase of not less than 80% when compared to the first half of 2020.

## GROSS PROFIT MARGIN

The decrease in gross profit margin was primarily due to (i) the challenging market environment and the more competitive pricing of the products offered by the Group; (ii) the increase in research and development expenses despite the decrease in revenue to enhance the Group's innovation capability so as to remain competitive; (iii) the continuous incurrence of other overhead costs which are invariable in nature; and (iv) the increase in write down of inventories for slow-moving and obsolete inventories of the Group.

## ADMINISTRATIVE AND OTHER EXPENSES

Notwithstanding the decrease in revenue for FY2020, the administrative and other expenses incurred by the Group for FY2020 was similar to that of FY2019 as most of these expenses were mostly invariable in nature.

As COVID-19 is still prevalent and the economy is yet to be recovered, the business performance of the Group might continue to be adversely affected despite the Group has achieved an improved performance, in terms of revenue and net profits, in the second half of 2020 as compared to the first half of 2020. The Company will continue to closely monitor the market conditions and the pandemic development and to adopt a tightened cost control with an aim to cope with the challenging business environment.

The Company is still in the course of finalising its annual results for FY2020. The information contained in this announcement is only based on the preliminary assessment made by the Board with reference to the unaudited consolidated management accounts of the Company and information currently available to the Board and may be subject to adjustment and change. All such unaudited consolidated management accounts and information currently available have not been reviewed by the auditors of the Company nor the audit committee of the Board. Finalised annual results of the Group and other details will be disclosed in the 2020 annual results announcement to be published by the Company in late March 2021.

**Shareholders and potential investors should exercise caution when dealing in the shares of the Company.**

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

Hong Kong, 10 March 2021

*As at the date of this announcement, the Board comprises two executive directors, namely, Mr. Wong Kai Hung Kelvin and Mr. Xi Bin; one non-executive director, 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.*