



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

2021

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*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, *CPA*

Registered Office

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P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

Headquarter and Principal Place of Business in Hong Kong

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181-185 Gloucester Road, Wan Chai
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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

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
HSBC Main Building
1 Queen's Road Central, Hong Kong

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden 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\$101,924,000 and HK\$32,835,000 for the nine months ended 30 September 2021, representing an increase of approximately 14.7% and 24.9% respectively compared with revenue and gross profit of approximately HK\$88,868,000 and HK\$26,285,000 for the nine months ended 30 September 2020. The increase in revenue could be attributable to the steady economic recovery in the People's Republic of China (the "**PRC**") from the global outbreak of the novel coronavirus pandemic ("**COVID-19**"). During the first half of 2020, the implementation of various aggressive measures for the prevention of COVID-19 by the PRC government resulted in a temporary suspension of operation of the Group and the business operations of the Group's customers, which has resulted in a significant drop in purchase orders received by the Group. The Company also recorded an increase in gross profit margin for the nine months ended 30 September 2021 to 32.2% (nine months ended 30 September 2020: 29.6%) which was mainly attributable to improved pricing of the products offered by the Group under the recovering business environment.

Notwithstanding the increase in revenue and gross profit, the Group recorded a net loss after tax of HK\$27,028,000 for the nine months ended 30 September 2021 when compared with a net profit after tax of HK\$7,517,000 for the nine months ended 30 September 2020. Such turnaround in financial performance was principally attributable to the provision for bad debt of approximately HK\$46.1 million in respect of the entire balance of trade receivables due from a customer.

The board of Directors (the "**Board**") did not declare any dividends for the nine months ended 30 September 2021 (nine months ended 30 September 2020: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and nine months ended 30 September 2021

	Notes	Three months ended		Nine months ended	
		30 September		30 September	
		2021	2020	2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	4	37,256	46,782	101,924	88,868
Cost of sales		(22,032)	(33,864)	(69,089)	(62,583)
Gross profit		15,224	12,918	32,835	26,285
Other income		1,057	116	2,527	1,499
Selling and distribution expenses		(1,561)	(741)	(3,409)	(2,564)
Administrative and other expenses		(2,800)	(4,658)	(12,292)	(15,387)
Impairment loss on trade receivables		(46,139)	–	(46,139)	–
Finance costs	6	(502)	(231)	(1,277)	(370)
(Loss) Profit before tax		(34,721)	7,404	(27,755)	9,463
Income tax credit (expense)	7	1,503	(1,114)	727	(1,946)
(Loss) Profit for the period	8	(33,218)	6,290	(27,028)	7,517
Other comprehensive (expense) income for the period					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences arising on translation of foreign operations		457	6,202	2,728	3,298
Total comprehensive (expense) income for the period		(32,761)	12,492	(24,300)	10,815

	<i>Notes</i>	Three months ended		Nine months ended	
		30 September		30 September	
		2021	2020	2021	2020
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss) Profit for the period attributable to owners of the Company		(32,761)	6,290	(24,300)	7,517
Total comprehensive (expense) income for the period attributable to owners of the Company		(32,761)	12,492	(24,300)	10,815
(Loss) Earnings per share – basic and diluted (HK\$ cents)	9	(6.92)	1.31	(5.63)	1.57

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000 (Note a)	Retained earnings HK\$'000	Exchange reserve HK\$'000 (Note b)	Fair value reserve HK\$'000	
At 1 January 2020 (audited)	4,800	53,389	1,824	5,797	109,543	(8,049)	-	167,304
Profit for the period	-	-	-	-	7,517	-	-	7,517
Exchange differences arising on translation of foreign operations	-	-	-	-	-	3,298	-	3,298
Total comprehensive income for the period	-	-	-	-	7,517	3,298	-	10,815
Dividend approved in respect of the previous year	-	(4,800)	-	-	-	-	-	(4,800)
At 30 September 2020 (unaudited)	4,800	48,589	1,824	5,797	117,060	(4,751)	-	173,319
At 1 January 2021 (audited)	4,800	48,589	1,824	5,926	115,525	2,265	(119)	178,810
(Loss) Profit for the period	-	-	-	-	(27,028)	-	-	(27,028)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	2,728	-	2,728
Total comprehensive (expense) income for the period	-	-	-	-	(27,028)	2,728	-	(24,300)
At 30 September 2021 (unaudited)	4,800	48,589	1,824	5,926	88,497	4,993	(119)	154,510

Notes:

(a) Statutory reserve

According to 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 the accumulated losses or to increase the registered capital of these companies, provided that such fund is maintained at a minimum of 25% of the registered capital. The statutory reserve is not distributable as cash dividends and must be made before distribution of dividend to equity owners.

(b) Exchange reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Hong Kong dollars) are recognised directly in other comprehensive income and accumulated in the exchange reserve. Such exchange differences accumulated in the exchange reserve are reclassified to profit or loss on the disposal of the foreign operations.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three and nine months ended 30 September 2021

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 “**Share Offer**”).

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

The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the principal place of business of the Company 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 during the nine months ended 30 September 2021 (“**Period**”).

The unaudited condensed consolidated financial information of the Company for the Period is 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 information has been prepared on the historical cost basis.

The unaudited condensed consolidated financial information for the Period has 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. The accounting policies and basis of preparation adopted in the preparation of the unaudited condensed consolidated financial statements for the Period are consistent with those adopted in the annual report for the year ended 31 December 2020 except for the adoption of new or revised HKFRSs which include HKFRSs, Hong Kong Accounting Standards (“**HKASs**”), amendments and interpretations issued by the HKICPA effective for the Group’s financial year beginning on 1 January 2021. Details of any changes in accounting policies are set out in note 3.

3. PRINCIPAL ACCOUNTING POLICIES

In the Period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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The Group has early adopted the Amendments to HKFRS 16, COVID-19-Related Rent Concessions with a date of initial application of 1 January 2020. The application of amendments to HKFRSs in the 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.

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15				
Disaggregated by major products				
– Sales of functional knitted fabrics	36,966	43,677	98,056	76,178
– Sales of apparel	290	3,073	3,868	7,828
– Sales of yarns	–	32	–	4,862
	37,256	46,782	101,924	88,868

The above revenue are all recognised at a point in time.

5. SEGMENT INFORMATION

Operating segments and the amounts of each segment item reported in the unaudited 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.

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

Information about major customers

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

	Three months ended 30 September		Nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Customer A	12,193	11,369	39,501	25,736
Customer B	6,010	21,842	19,941	21,842

6. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Interests on:				
– Bank borrowings and overdrafts	472	220	1,196	318
– Lease liabilities	30	11	81	52
	502	231	1,277	370

7. INCOME TAX (CREDIT) EXPENSE

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	<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”)	1,349	1,313	2,520	1,622
Deferred taxation	(2,852)	(199)	(3,247)	324
	(1,503)	1,114	(727)	1,946

Hong Kong profit tax is calculated at 16.5% on the estimated assessable profit for the Period and the corresponding period in the preceding year.

No provision for Hong Kong Profits Tax has been made as there are no assessable profits for the Period and the corresponding period in the preceding year.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and implementation regulations of the EIT Law, the tax rate applicable to the PRC subsidiaries is 25% for the Period and the corresponding period in the preceding year.

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%.

Two of the Group’s subsidiaries established in the PRC are qualified under the Notice of Comprehensive Tax Relief for Small and Micro Enterprises recognised as small and micro enterprises which have been granted tax concession by the PRC tax bureau and are entitled to PRC enterprise income tax at concessionary rate of 5% for the less than RMB1,000,000 taxable income during the reporting period.

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

8. (LOSS) PROFIT FOR THE PERIOD

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Staff costs, excluding directors' emolument:				
Salaries, allowances and other benefits	4,605	2,787	10,317	9,891
Contributions to retirement benefits scheme	259	68	739	257
	4,864	2,855	11,056	10,148
Amount of inventories recognised as an expense	16,965	29,185	61,533	53,594
Depreciation of plant and equipment	881	245	2,676	1,132
Depreciation of right-of-use assets	320	285	960	862
Interest income	(18)	(100)	(29)	(442)
Expenses relating to short term lease	12	26	35	125
Research and development expenses (note)	2,365	3,510	4,913	5,619
Exchange loss, net	12	1	5	49

Note:

The research and development expenses disclosed herein excluded salaries, allowances and other benefits of approximately HK\$2,574,000 and HK\$2,266,000, and contributions to retirement benefits scheme of approximately HK\$191,000 and HK\$69,000 for the periods ended 30 September 2021 and 2020 respectively which had been included in salaries, allowances and other benefits disclosed above.

9. (LOSS) EARNINGS PER SHARE

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

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic and diluted loss/earnings per share	(33,218)	6,290	(27,028)	7,517

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Notes	'000	'000	'000	'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic and diluted loss/earnings per share	480,000	480,000	480,000	480,000

Diluted loss/earnings per share were the same as basic loss/earnings per share as there were no potential dilutive ordinary shares outstanding for the three months and nine months ended 30 September 2021 and 2020.

10. DIVIDENDS

The Board has resolved not to declare dividend for the Period (nine months ended 30 September 2020: Nil).

Dividends payable to equity owners attributable to the previous financial year, approved and paid during the Period and the corresponding period in the preceding year:

	Nine months ended 30 September	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year, approved and paid during the period, of nil per share (nine months ended 30 September 2020: HK1 cent per ordinary share)	-	4,800

11. RELATED PARTY TRANSACTIONS

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

(a) Transactions with related parties

Related party	Nature of transaction	Three months ended		Nine months ended	
		30 September		30 September	
		2021	2020	2021	2020
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Zhongshan Da Chong Elastic Thread Factory Ltd.*	Purchase of yarns(1)	1	43	12	486
Proudy Limited	Consultancy services(2)	133	30	389	704

(1) 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 owned as to 15% by Mr. Wong and as to 85% collectively by the close family members of Mr. Wong, for the Period were made on terms mutually agreed by the Group and related party and with reference to the prevailing market prices of the materials under the purchase agreements.

(2) The consultancy agreement was entered by the Group and Proudy Limited, a company wholly owned by Mr. Hung Yuk Miu, a non-executive director of the Company, for the provision of certain consultancy services. Such consultancy agreement was negotiated on arm's length basis and the terms thereof are on normal commercial terms.

* *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, has provided personal guarantee for the bank borrowings of approximately HK\$42,014,000 and HK\$20,484,000 to the Group for the periods ended 30 September 2021 and 2020, respectively.

Mr. Wong, an executive Director and the Chairman of the Board, has provided personal guarantee for the bank borrowings of HK\$5,000,000 to the Group for the Period (2020: HK\$Nil).

11. RELATED PARTY TRANSACTIONS (Continued)

(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		Nine months ended 30 September	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Short-term benefits	871	935	2,572	2,802
Post-employment benefits	14	10	41	31
	885	945	2,613	2,833

The remuneration of the key management personnel is determined by the board of directors of the Company having regards to the performance of individuals 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 2021, together with the comparative figures for the corresponding periods in 2020.

Business Review and Outlook

The Group is a functional knitted fabrics provider in the PRC. Our products are primarily sold directly to (i) lingerie and apparel brand owners; (ii) sourcing agents; and (iii) garment manufacturers. We design functional knitted fabrics through our product innovation capabilities, source our raw materials comprising primarily synthetic 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 opportunities, we also engage in the sales of apparel made of our functional knitted fabrics for our customers which are lingerie and apparel brand owners.

During the Period, the Group's business and operation were recovering from the adverse impacts of COVID-19 which have affected the Group since early 2020. During the nine months ended 30 September 2020, the Group and its customers experienced temporary suspension of business operations due to the implementation of various aggressive preventive control measures for the COVID-19 by the government of the PRC and thus there was a significant drop in purchase orders received by the Group. As a result of the gradual economic recovery from COVID-19 and the less stringent preventive control measures adopted by the PRC government in the first three quarters of 2021, the Group's revenue rebounded by approximately 14.7% when compared with the corresponding period in 2020. The Company also recorded an increase in gross profit margin for the Period to 32.2% (nine months ended 30 September 2020: 29.6%). The management of the Company has been closely monitoring the momentum in the market recovery and the pandemic development, and has implemented tightened cost control measures during the reporting Period.

Nevertheless, the Group recorded a net loss after tax of HK\$27,028,000 for the Period when compared with a net profit after tax of HK\$7,517,000 for the nine months ended 30 September 2020. Such turnaround in financial performance was principally attributable to the provision for bad debt, of approximately HK\$46.1 million in respect of the entire balance of trade receivables due from a customer.

Amid the steadily recovering market and business environment from the impacts of COVID-19 outbreak, the Group nevertheless continues to devote resources to the research and development of functional knitted fabrics as well as the dyeing methodology to strengthen its market competitiveness. In addition, the Group will also focus on strengthening the Group's market position in the PRC by improving its product offering and strengthening the Group's marketing efforts so as to bring better returns to the shareholders of the Company.

Financial Review

Revenue

The following table sets forth an analysis of our revenue by products during the three months and nine months ended 30 September 2021 and 2020.

	Three months ended		Nine months ended	
	30 September 2021 HK\$'000	30 September 2020 HK\$'000	30 September 2021 HK\$'000	30 September 2020 HK\$'000
Sales of functional knitted fabrics	36,966	43,677	98,056	76,178
Sales of apparel	290	3,073	3,868	7,828
Sales of yarns	-	32	-	4,862
	37,256	46,782	101,924	88,868

The Group's revenue increased by approximately HK\$13,056,000 or 14.7%, from approximately HK\$88,868,000 for the nine months ended 30 September 2020 to approximately HK\$101,924,000 for the Period. The increase was mainly due to the significant increase in sales of functional knitted fabrics which was resulted from the increase in sales orders from customers when compared with the corresponding period in 2020 as the business operations of the Group and its customers were temporarily suspended in the first half of 2020 due to outbreak of COVID-19.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$6,550,000, or 24.9%, from approximately HK\$26,285,000 for the nine months ended 30 September 2020 to approximately HK\$32,835,000 for the Period, which was mainly caused by the increase in sales orders. The gross profit margin increased by approximately 2.6 percentage points from approximately 29.6% for the nine months ended 30 September 2020 to approximately 32.2% for the Period. The increase in gross profit margin was mainly due to improved pricing of the products offered by the Group under the recovering business environment and the decrease in research and development expenses and other overhead costs included in cost of sales.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately HK\$845,000, or 33.0%, from approximately HK\$2,564,000 for the nine months ended 30 September 2020 to approximately HK\$3,409,000 for the Period, which was mainly due to an increase in advertising and exhibition expense of approximately HK\$891,000, transportation expense of approximately HK\$296,000; whereas the figure was partially offset by the decrease in salaries of about HK\$325,000 due to a decrease in discretionary bonus of sales staff and the scaled down operations in Beijing and Shanghai.

Administrative and other expenses

The Group's administrative and other expenses decreased by approximately HK\$3,095,000, or 20.1%, from approximately HK\$15,387,000 for the nine months ended 30 September 2020 to approximately HK\$12,292,000 for the Period. The decrease was mainly caused by (i) a decrease in administrative staff salaries of approximately HK\$1,581,000 due to decreases in discretionary bonus for administrative staff, administrative staff headcount and close of Beijing office; (ii) decreases in staff welfare, training and entertainment expenses of approximately HK\$1,679,000; (iii) a decrease in legal and professional fee of approximately HK\$893,000; and (iv) a partial offset by an increase in depreciation of plant and equipment of approximately HK\$1,218,000.

Impairment loss on trade receivables

The impairment loss of approximately HK\$46.1 million was made in respect of entire balance of trade receivables due from a customer as at 30 September 2021. The trade receivable was arisen from sales of functional knitted fabrics to such customer in the second half of 2020. While the customer made a partial payment of approximately HK\$5.6 million during the first half of 2021, the management had been continuously urging the customer for settlement of the outstanding trade receivables during 2021. As at the end of the Period, the outstanding balance remained not yet settled and the management assessed that the trade receivable from this customer was unlikely recoverable and therefore decided to make impairment loss for such trade receivables. The Group has also initiated legal proceedings in September 2021 against this customer in the People's Court of Nan Shan District of Shenzhen with a view to recovering the outstanding trade receivables. As at the date of this report, the legal proceedings are still ongoing.

Income tax expenses

The income tax credit for the Period was approximately HK\$727,000 while the income tax expenses for the nine months ended 30 September 2020 was HK\$1,946,000. The income tax credit for the Period was mainly attributable to the recognition of deferred tax assets of HK\$2,847,000 regarding additional tax loss caused by the impairment loss of trade receivable for one PRC subsidiary. Excluding the effect of aforesaid recognition of deferred tax assets, the effective tax rate for the Period was approximately 11.5% for the Group.

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

As a result of the foregoing, the Group recorded a net loss after tax of approximately HK\$27,028,000 for the Period when compared with a net profit after tax of approximately HK\$7,517,000 for the nine months ended 30 September 2020.

Dividends

The Board did not declare any dividends for the Period (nine months ended 30 September 2020: Nil).

Future Plans for Material Investments and Capital Assets

Save as disclosed in the prospectus of the Company dated 30 April 2018 ("**Prospectus**"), the Group does not have other plans for material investments and capital assets. Reference is also made to the announcement of the Company dated 11 August 2020 and the annual report of the Company for the year ended 31 December 2020 relating to the delay in timeline of the actual application of the net proceeds from the Share Offer.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

For the Period, the Group did not have any material acquisitions or disposals of subsidiaries or associated companies.

Significant Investment Held

The Group did not hold any significant investments during the Period.

Commitments and Contingent Liabilities

As at 30 September 2021, the Group had no material capital commitments and contingent liabilities.

Employees and Remuneration Policies

As at 30 September 2021, the Group had 74 employees (30 September 2020: 77) and most of them were working in our Dongguan office. We incurred staff costs inclusive of performance related bonus, other bonus and Directors' remuneration in the aggregate amount of approximately HK\$13,669,000 and HK\$12,981,000 for the nine months ended 30 September 2021 and 2020, 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.

Loan Agreements with Covenant Relating to Special Performance of the Controlling Shareholders

On 25 February 2021, Smart Team Textiles Technology Limited ("**Smart Team**"), a wholly-owned subsidiary of the Company, as borrower; Bank of China (Hong Kong) Limited, as lender ("**BOC Bank**"); and each of the Company and Mr. Wong Kai Hung Kelvin ("**Mr. Wong**"), an executive Director, chairman of the Board and a controlling shareholder of the Company, as guarantor, entered into a banking facility letter ("**Facility Letter**") in relation to the general banking facilities granted under the SME Financing Guarantee Scheme guaranteed by the HKMC Insurance Limited. The Facility Letter is comprising of a revolving loan facility of up to HK\$10,000,000 and an overdraft facility of up to HK\$8,000,000. According to the terms of the Facility Letter, all amounts borrowed thereunder shall be repaid every 12 months after the date of each drawdown and the amount borrowed shall be used to finance the acquisition of assets or as general working capital for business operation.

Pursuant to the Facility Letter, specific performance covenants imposed on Mr. Wong include (i) remaining as the chairman of the Board or an executive Director; and (ii) together with his family member(s) remaining as the largest shareholder of the Company, directly or indirectly. Please refer to the announcement of the Company dated 25 February 2021 for more details.

As at the date of this report, Mr. Wong remains as the chairman of the Board and owns, indirectly, 75% of the issued share capital of the Company.

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 2021, 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) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO); (b) required to be recorded in the register required to be kept under section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard dealings by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long 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:

- 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.
- Cosmic Bliss is an associated corporation of our Company by virtue of its being the holding company of the Company. Cosmic Bliss is wholly owned by Mr. Wong.

Save as disclosed above, as at 30 September 2021, 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 Rule 5.46 of the GEM Listing Rules.

Directors' Rights to Acquire Shares and Debentures

At no time during the Period and up to the date of this report was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangements 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 corporates.

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 2021, 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 which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares of the Company

Name of person	Name of Group member	Capacity/nature of Interest	Number and class of securities	Percentage of interest
Cosmic Bliss (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 2021, 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 Period 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) are interested in any businesses which compete or may compete, either directly or indirectly, with the businesses of the Group nor has or may have any conflicts of interest with any businesses of the Group.

Audit Committee

The Company 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 its 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 Period, which has been approved by the Board on 12 November 2021 prior to its issuance. The Audit Committee is of the view that the unaudited condensed consolidated financial information for the Period is in compliance with the applicable accounting standards, the GEM Listing Rules and other legal requirements, and that sufficient disclosure has been made.

Securities Transactions by Directors

The Company has adopted a code of conduct (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 Period and up to the date of this report.

Purchase, Sale or Redemption of Listed Securities of the Company

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

Corporate Governance Practices

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

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

Hong Kong, 12 November 2021

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.