

# 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  
2022

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**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.**

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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.*

# CONTENTS

	<i>PAGES</i>
CORPORATE INFORMATION	3
FINANCIAL HIGHLIGHTS	4
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	5
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION	9
MANAGEMENT DISCUSSION AND ANALYSIS	17
OTHER INFORMATION	21

## 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. Lei Kin Keong, *CPA, ACG and HKACG*

#### Authorised Representatives

Mr. Wong Kai Hung Kelvin  
Mr. Lei Kin Keong, *CPA, ACG and HKACG*

#### 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 and Transfer Office

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road, Hong Kong

#### Auditor

SHINEWING (HK) CPA Limited  
Certified Public Accountants  
17/F, Chubb Tower  
Windsor House  
311 Gloucester Road  
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 Dongguan  
No. 101, Block 1, Hyde Plaza  
No. 200, Hongfu Road  
Nancheng District, Dongguan City  
Guangdong Province, PRC

Bank of China  
No. 72, Guantai Road  
Nancheng District, Dongguan City  
Guangdong Province, PRC

China Construction Bank  
Shop A011-A015  
Jiangnan Yazhu, Block H1  
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Nancheng District, Dongguan City  
Guangdong Province, PRC

#### Company's Website

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

#### Stock Code

8521

## FINANCIAL HIGHLIGHTS

The Group recorded revenue and gross profit of approximately HK\$74,817,000 and HK\$18,186,000 for the nine months ended 30 September 2022, representing a decrease of approximately 26.6% and 44.6% respectively compared with revenue and gross profit of approximately HK\$101,924,000 and HK\$32,835,000 for the nine months ended 30 September 2021. Such significant decrease in revenue could be mainly attributed to the outbreak of the highly transmissible Omicron variant of COVID-19 in the People's Republic of China ("PRC") in late February 2022 and the international trade tensions, resulting in the significant decrease in purchase orders received from some of the Group's major customers in Eastern and Northern China for the nine months period end 30 September 2022 when compared with those in 2021. During the first nine months of 2022, the implementation of various stringent measures for the prevention of COVID-19 by the PRC government has caused 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 a decrease in gross profit margin for the nine months ended 30 September 2022 to 24.3% (nine months ended 30 September 2021: 32.2%) which was mainly due to (i) the increase in the per unit cost of raw materials, processing cost and the shared fixed overhead included in the cost of sales; and (ii) the recognised loss on disposal of the substandard products at approximately HK\$2,540,000 in September 2022.

The Group recorded a net profit after tax of HK\$2,454,000 for the nine months ended 30 September 2022 from the net loss after tax of HK\$27,028,000 for the nine months ended 30 September 2021. The main reason for such a turnaround was the absence of any impairment loss on trade receivables for the Period (nine months ended 30 September 2021: HK\$46.1 million).

The board of Directors (the "**Board**") did not declare any dividends for the nine months ended 30 September 2022 (nine months ended 30 September 2021: Nil).

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

For the three and nine months ended 30 September 2022

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	4	26,445	37,256	74,817	101,924
Cost of sales		(22,385)	(22,032)	(56,631)	(69,089)
Gross profit		4,060	15,224	18,186	32,835
Other income		587	1,057	1,630	2,527
Selling and distribution expenses		(1,848)	(1,561)	(4,085)	(3,409)
Administrative and other expenses		(2,776)	(2,800)	(11,965)	(12,292)
Impairment loss on trade receivables		-	(46,139)	-	(46,139)
Finance costs	6	(258)	(502)	(1,059)	(1,277)
(Loss) Profit before tax		(235)	(34,721)	2,707	(27,755)
Income tax credit (expense)	7	273	1,503	(253)	727
Profit (Loss) for the period	8	38	(33,218)	2,454	(27,028)
<b>Other comprehensive (expense) income for the period</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Exchange differences arising on translation of foreign operations		(3,721)	457	(10,818)	2,728
Total comprehensive (expense) income for the period		(3,683)	(32,761)	(8,364)	(24,300)

	Three months ended		Nine months ended	
	30 September		30 September	
	2022	2021	2022	2021
Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss) Profit for the period attributable to owners of the Company	<b>38</b>	(33,218)	<b>2,454</b>	(27,028)
Total comprehensive (expense) income for the period attributable to owners of the Company	<b>(3,683)</b>	(32,761)	<b>(8,364)</b>	(24,300)
Earnings (Loss) per share – basic and diluted (HK\$ cents)	<b>0.01</b>	(6.92)	<b>0.51</b>	(5.63)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2022

	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	
<b>At 1 January 2021 (audited)</b>	<b>4,800</b>	<b>48,589</b>	<b>1,824</b>	<b>5,926</b>	<b>115,525</b>	<b>2,265</b>	<b>(119)</b>	<b>178,810</b>
Loss 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)
<b>At 30 September 2021 (unaudited)</b>	<b>4,800</b>	<b>48,589</b>	<b>1,824</b>	<b>5,926</b>	<b>88,497</b>	<b>4,993</b>	<b>(119)</b>	<b>154,510</b>
<b>At 1 January 2022 (audited)</b>	<b>4,800</b>	<b>48,589</b>	<b>1,824</b>	<b>5,926</b>	<b>83,022</b>	<b>7,419</b>	<b>-</b>	<b>151,580</b>
Profit for the period	-	-	-	-	2,454	-	-	2,454
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(10,818)	-	(10,818)
Total comprehensive income (expense) for the period	-	-	-	-	2,454	(10,818)	-	(8,364)
<b>At 30 September 2022 (unaudited)</b>	<b>4,800</b>	<b>48,589</b>	<b>1,824</b>	<b>5,926</b>	<b>85,476</b>	<b>(3,399)</b>	<b>-</b>	<b>143,216</b>



*Notes:*

(a) Statutory reserve

According to the People's Republic of China ("PRC") Company Law, companies established 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 2022

## 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 (“**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.

The unaudited 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 information for the nine months ended 30 September 2022 (the (“**Period**”) have been prepared on the historical cost basis.

The unaudited condensed consolidated financial information for the Period 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. 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 2021 except for the adoption of new or revised HKFRSs, Hong Kong Accounting Standards (“**HKASs**”), amendments and interpretations issued by the HKICPA effective for the Group’s financial year beginning on 1 January 2022. 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 2022:

Amendments to HKFRS 3	Reference to Conceptual Framework
Amendments to HKAS 16	Property, plant and equipment: Proceeds before intended use
Amendments to HKAS 37	Onerous Contracts – cost of fulfilling a contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 Cycle

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 2022		Nine months ended 30 September 2022	
	HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15				
Disaggregated by major products				
– Sales of functional knitted fabrics	26,048	36,966	68,342	98,056
– Sales of apparel	326	290	3,495	3,868
– Sales of yarns	71	–	2,980	–
	<b>26,445</b>	37,256	<b>74,817</b>	101,924

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.

The Group is 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Customer A	7,247	12,193	20,282	39,501
Customer B	5,087	6,010	22,711	19,941

## 6. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Interests on:				
– Bank borrowings and overdrafts	248	472	1,020	1,196
– Lease liabilities	10	30	39	81
	258	502	1,059	1,277

## 7. INCOME TAX (CREDIT) EXPENSE

	Three months ended 30 September 2022		Nine months ended 30 September 2022	
	HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax:				
– PRC Enterprise Income Tax (“EIT”)	(273)	1,349	253	2,520
Deferred taxation	–	(2,852)	–	(3,247)
	(273)	(1,503)	253	(727)

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 profit tax has been made as the subsidiary in Hong Kong has 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 of the PRC subsidiaries is 25% from 1 January 2008.

One of the Group’s subsidiaries established in the PRC is recognised as a High and New-Technology Enterprise and 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 registered in the PRC are qualified under the Notice of Comprehensive Tax Relief for Small and Micro Enterprises recognised as a small and micro enterprise which has been granted tax concession by PRC tax bureau and are entitled to PRC enterprise income tax at concessionary rate of 2.5% for the first portion of less than RMB1 million taxable income and 5% for the second portion of more than RMB1 million but less than RMB3 million taxable income during the reporting period.

Pursuant to the rules and regulation of the British Virgin Islands (“BVI”) and the Cayman Islands, the Group is not subject to any income tax in these jurisdictions.

## 8. PROFIT (LOSS) FOR THE PERIOD

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

	Three months ended 30 September		Nine months ended 30 September	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Staff costs, excluding directors' emolument: Salaries, allowances and other benefits	2,288	4,605	9,371	10,317
Contributions to retirement benefits scheme	92	259	586	739
	<b>2,380</b>	4,864	<b>9,957</b>	11,056
Cost of inventories recognised as an expense	19,976	16,965	51,542	61,533
Depreciation of plant and equipment	840	881	2,195	2,676
Depreciation of right-of-use assets	375	320	1,016	960
Interest income	(10)	(18)	(44)	(29)
Expenses relating to short term lease	194	12	233	35
Research and development expenses (note)	2,180	2,365	3,796	4,913

Note:

The research and development expenses disclosed herein excluded salaries, allowances and other benefits of approximately HK\$2,105,000 and HK\$2,574,000 and contributions to retirement benefits scheme of approximately HK\$122,000 and HK\$191,000 for the periods ended 30 September 2022 and 2021 respectively which had been included in salaries, allowances and other benefits disclosed above.

## 9. EARNINGS (LOSS) 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 2022		Nine months ended 30 September 2022	
	HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
(Loss)/profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	38	(33,218)	2,454	(27,028)

  

	Three months ended 30 September 2022		Nine months ended 30 September 2022	
	'000 (Unaudited)	2021 '000 (Unaudited)	'000 (Unaudited)	2021 '000 (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 2022 and 2021.

## 10. DIVIDENDS

The Board has resolved not to declare dividend for the Period (nine months ended 30 September 2021: Nil).

## 11. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the unaudited condensed consolidated financial information, the Group has entered into 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	
		2022	2021	2022	2021
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Zhongshan Da Chong Elastic Thread Factory Ltd.*	Purchase of yarns (Note1)	-	1	-	12
Proudy Limited	Consultancy services (Note2)	30	133	90	389

Notes:

- (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 into 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, and his spouse have provided personal guarantee for the bank borrowings of approximately HK\$16,253,000 and HK\$42,014,000 to the Group for the periods ended 30 September 2022 and 2021, 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 ended 30 September 2021. There was nil bank borrowings guaranteed by Mr. Wong for the Period.



## 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Short-term benefits	845	871	2,567	2,572
Post-employment benefits	13	14	41	41
	<b>858</b>	885	<b>2,608</b>	2,613

The remuneration of the key management personnel is determined by the board of directors of the Company having regards to, among others, 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 Company and its subsidiaries (collectively, the “Group”) for the three and nine months ended 30 September 2022, together with the comparative figures for the corresponding periods in 2021.

### 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 was adversely affected by the outbreak of the highly transmissible Omicron variant of COVID-19 in late February 2022. The Group’s customers had become more conservative in making purchase from the Group and hence lessened the demand for products of the Group when compared with the corresponding period in 2021.

The implementation of various stringent preventive control measures by the government of the PRC has resulted in a temporary suspension of business operations of some of the Group’s major customers in Eastern and Northern China and thus the Group experienced a significant drop in purchase orders from these customers. The Group’s revenue decreased by approximately HK\$27,107,000 or 26.6%, from approximately HK\$101,924,000 for the nine months ended 30 September 2021 to approximately HK\$74,817,000 for the Period. The management of the Company has been closely monitoring the pandemic development and will respond to the momentum of market recovery once the pandemic situation is improved.

However, the Group recorded a net profit after tax of HK\$2,454,000 for the Period when compared with a net loss after tax of HK\$27,028,000 for the nine months ended 30 September 2021 principally due to the absence of the impairment loss on trade receivables for the Period (nine months ended 30 September 2021: HK46.1 million).

In September 2022, the Group was awarded the Innovation Award Enterprise of the 5th China Eco-friendly Fabric Design Competition in 2022 jointly issued by the China Textile Information Center (中國紡織信息中心) and Textile Product Development Center (紡織產品開發中心). The Group 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 is also focusing on the following business strategies: (i) to strengthen the Group’s market position in the PRC by improving its product offering ; and (ii) to strengthen the Group’s marketing efforts.

## 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 2022 and 2021.

	Three months ended 30 September		Nine months ended 30 September	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Sales of functional knitted fabrics	26,048	36,966	68,342	98,056
Sales of apparel	326	290	3,495	3,868
Sales of yarns	71	–	2,980	–
	<b>26,445</b>	37,256	<b>74,817</b>	101,924

The Group's revenue decreased by approximately HK\$27,107,000 or 26.6%, from approximately HK\$101,924,000 for the nine months ended 30 September 2021 to approximately HK\$74,817,000 for the Period. The decrease was mainly due to the significant decrease in revenue from the sales of functional knitted fabrics as a result of the decrease in sales orders from some of the major customers when compared with the corresponding period in 2021. During the outbreak of the Omicron variant of COVID-19, some of the major customers temporarily suspended their business operations, eventually reducing demand for the Group's products for the nine months ended 30 September 2022. In the short term, even there was a sign of relaxation of the stringent preventive control measures, since the Group's customers might still have stocked up, demand for the Group's products was lessened.

### Gross profit and gross profit margin

The Group's gross profit decreased by approximately HK\$14,649,000, or 44.6%, from approximately HK\$32,835,000 for the nine months ended 30 September 2021 to approximately HK\$18,186,000 for the Period, which was mainly caused by the decrease in sales orders. The gross profit margin decreased by approximately 7.9 percentage points from approximately 32.2% for the nine months ended 30 September 2021 to approximately 24.3% for the Period. The decrease in gross profit margin was mainly due to (i) the increase in the per unit cost of raw materials, processing cost and the shared fixed overhead included in the cost of sales; and (ii) the recognised loss on disposal of the substandard products at approximately HK\$2,540,000 in September 2022.

### Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately HK\$676,000, or 19.8%, from approximately HK\$3,409,000 for the nine months ended 30 September 2021 to approximately HK\$4,085,000 for the Period.

During the Period, the Group has incurred less exhibition expense and travelling expenses due to the COVID-19 situation. The reduction amounted to approximately HK\$1,008,000 but was offset by (i) the increase in marketing consultancy expenses of approximately HK\$618,000; and (ii) the increase in product inspection fee of approximately HK\$795,000.

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

The Group's administrative and other expenses decreased by approximately HK\$327,000, or 2.7%, from approximately HK\$12,292,000 for the nine months ended 30 September 2021 to approximately HK\$11,965,000 for the Period. The decrease was mainly caused by (i) the reduction in depreciation of approximately HK\$131,000 because several machines fully depreciated in the first quarter of 2022; (ii) the reduction in staff salary and contribution to the retirement benefit scheme of approximately HK\$429,000 including the refund of social insurance contribution in PRC related to the contribution between January 2022 to August 2022 in September 2022 as the social insurance contribution rate in PRC was reduced by 1% from 15% to 14% with effect from 1 January 2022; and (iii) the decrease in miscellaneous expenses of approximately HK\$429,000, including travelling, vehicle maintenance, entertainment, and office consumable. Such decrease is partially offset by the increase in consultancy fees for IT system improvement, management, and marketing of approximately HK\$281,000 and the increase in staff welfare of approximately HK\$426,000.

### ***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. Such overdue balance was arisen from sales of functional knitted fabrics to such customer in the second half of 2020. The management assessed that the trade receivables from this customer was unlikely recoverable and has therefore decided to make impairment loss for such trade receivables during the period ended 30 September 2021. The Group has also initiated legal proceedings in September 2021 against this customer in the People's Court of Nan Shan District of Shenzhen (the "**Court**") with a view to recovering the outstanding trade receivables. As at the date of this report, the Court had ruled in favor of the Group's PRC subsidiary as the plaintiff and this customer had entered into the progress of bankruptcy liquidation. Based on the available information, the recoverable amount is expected to be minimal. During the Period, there is no impairment loss on trade receivables.

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

For the nine months ended 30 September 2022, the income tax expense and the effective tax rate were HK\$253,000 and 9.3%, respectively. Compared with the corresponding period in last year, the income tax expenses and effective tax rate decreased by HK\$1,867,000 or 2.2 percentage points if it excluded the impairment loss on trade receivable and the recognition of deferred tax credit amounting to HK\$2,847,000 caused by the impairment loss of trade receivable for one PRC subsidiary for the period ended 30 September 2021.

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

As a result of the foregoing, the Group recorded a net profit after tax of HK\$2,454,000 for the Period when compared with a net loss after tax of HK\$27,028,000 for the nine months ended 30 September 2021.

## **Dividends**

The Board did not declare any dividends for the Period (nine months ended 30 September 2021: Nil).

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

The Group currently does not have any significant investment or acquisition of capital assets but will continue to seek potential investment or acquisition opportunities according to the Group's development needs.

## **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 2022, the Group had no material capital commitments and contingent liabilities.

## **Employees and Remuneration Policies**

As at 30 September 2022, the Group had 66 employees (30 September 2021: 74) and most of them were working in our Dongguan office. The Group incurred staff costs inclusive of performance related bonus, other bonus and Directors' remuneration in the aggregate amount of approximately HK\$12,565,000 and HK\$13,669,000 for the nine months ended 30 September 2022 and 2021, 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.

## OTHER INFORMATION

### 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 2022, 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:

- 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 the 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 2022, 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 2022, 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 2022, 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* and 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 11 November 2022 prior to its issuance. The Audit Committee is of the view that the unaudited condensed consolidated financial information for the Period 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 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, 11 November 2022

*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.*