



Stella International Holdings Limited

Stock Code: 1836

Interim Report 2021

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CHAIRMAN'S STATEMENT

Dear shareholders,

We saw our operating environment brighten in the first half of 2021. The progressive lifting of COVID-19 restrictions and a steady roll-out of vaccination programmes in our main export markets gave our brand customers the confidence to follow through with orders for our footwear products and supported a return to normal seasonality.

This allowed us to continue pushing forward with our margin-accretive strategies to achieve profitable and sustainable long-term growth. We made progress in expanding our margins by further enhancing our customer portfolio. We also continued to lay the foundation for bringing on more high-quality customers, particularly in the Sports and Luxury categories, which will bear fruit in terms of profitability and shareholder returns in the coming years. This is being made possible through our recently consolidated R&D centre that melded our combined experience and commercialisation capabilities in the Fashion, Luxury and Sports segments under one roof – a truly unique proposition that is highly attractive to leading and high-end brands.

We have initiated plans to steadily increase our capacity in line with demand. We are very close to realising new capacity in Indonesia, which will become one of our major manufacturing bases of the future. Our new manufacturing facility in Solo is currently on schedule to commence operations in the third quarter of 2021 and is expected to contribute to overall sales in 2022.

In the short term, the COVID-19 pandemic continues to pose ongoing risks. The most concerning is the recent wave of new infections in Southeast Asia. We will continue to closely monitor developments in the region. And rest assured, we will do all that we can to minimise the impact and keep orders on track in order to deliver for our customers, leveraging our diversified production footprint, covering China, Vietnam, Indonesia, Bangladesh and the Philippines.

That said, we expect volume and revenue to continue to recover in the second half of 2021, although the pace is likely to moderate due to a higher base.

With the Group returning to profit in the first half of 2021, I am pleased to share that the Board has resolved to declare an interim dividend of HK21 cents per ordinary share, representing a payout of about 70%. As we continue on our path towards delivering greater value to our shareholders and all our other stakeholders, I would like to take this opportunity to thank our customers, business partners and employees for their support and contributions during the first half of the year.

Chen Li-Ming, Lawrence

Chairman

Hong Kong, 19 August 2021

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors (the “Board”) of Stella International Holdings Limited (“Stella” or the “Company”) is pleased to present the interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021.

BUSINESS MODEL AND STRATEGY

In 1982, Stella embarked on a simple mission of “making the best shoes”. Today, this mission is still the core DNA of our business. Every day, we create value for our customers in ways unmatched by our competitors through our unrivalled reputation for high-quality footwear design, product development and manufacturing.

We insist on being a true partner for our customers, offering unparalleled product design and commercialisation capabilities, as well as ‘artisan level’ craftsmanship and an uncompromising commitment to quality that matches any footwear produced in Europe. We also possess the ability, flexibility, knowledge and skills required to cater to numerous customer groups – from high-fashion brands to the world’s largest sports brands, from casual brands to cult brands with limited collections. We are widely known within the footwear industry for our speed-to-market and small-batch production flexibility, which has allowed us to become the ideal partner of many top-end designer brands and fashion brands, especially those increasing their focus on e-commerce.

Our unique proposition is supported by a broad, diverse and proven manufacturing base, located in China, Vietnam, Indonesia, the Philippines and Bangladesh. These diverse and well-established operational bases deliver the flexibility, skillsets and level-of-quality that meet every need of our customers.

We also showcase our design capability in producing best-in-class footwear with high complexity to the world’s leading fashion brands through our own contemporary retail brand, *Stella Luna*, which has a retail presence in Europe’s major fashion capitals.

With a clear focus on improving our margin structure, we will concentrate on winning designs for differentiated and complex products with a higher average selling price (“ASP”) by working closely with current and prospective customers, while continuously improving our production efficiency.

We are also committed to improving our operating profit margin and increasing returns to shareholders by expanding our production in Southeast Asia, improving our operational excellence and implementing robust cost controls. In addition, we are proactively carrying out lateral expansion strategies, including the design, product development and manufacturing of fashion accessories and leather goods such as handbags, to tap synergies and future sources of growth.

BUSINESS REVIEW

The Group returned to profit in the six months ended 30 June 2021 as our customers increased order volume to meet pent-up consumer demand. This contrasted strongly to the first half of last year during which demand and production were severely impacted by the COVID-19 pandemic, resulting in a low base for 2021.

Despite this, the emergence of new COVID-19 variants meant that the pandemic remained a pervasive threat in the first half of 2021, with some governments in Asia imposing social distancing measures and other restrictions in May and June 2021. Fortunately, the impact on our operations was minimal during the period under review.

As a result, the business environment remains conducive to the ongoing implementation of our margin-accretive strategy. Our capacity expansion in Southeast Asia remains on track. Our new factory in Solo, Indonesia will commence operations in the third quarter of 2021.

Elsewhere, our branding business (consisting of our retail business in Europe and the wholesale business for our own branded footwear *Stella Luna*) saw sales gradually improve as the global retail market recovered.

The key financial performance indicators of the Company include revenue growth, gross profit and operating profit. An analysis of these indicators during the six months ended 30 June 2021 are as follows:

Revenue

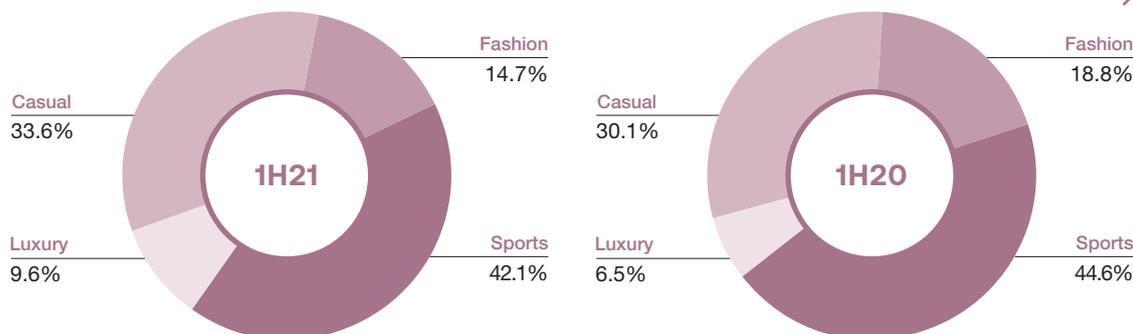
The Group's consolidated revenue for the six months ended 30 June 2021 increased by 36.0% to US\$695.5 million, compared to US\$511.5 million in the same period of last year. This was mainly attributable to a low base, as the first six months of 2020 was heavily impacted by the COVID-19 pandemic, as well as a recovery of orders in the first half of 2021.

The ASP of our footwear products increased by 4.5% to US\$25.8 per pair during the six months under review. This compared to US\$24.7 per pair in the first six months of 2020, during which higher-ASP products such as boots – that are normally shipped in the second quarter of the year – were cancelled as a result of the COVID-19 pandemic.

In terms of product categories, demand for our Sports footwear category – one of our main growth drivers – continued to grow at a brisk pace, with revenue increasing by 28.0% on a like-for-like basis, accounting for 42.1% of total manufacturing revenue (first half of 2020: 44.6%). Revenue attributed to our newly defined Luxury category, where we see a lot of future potential, increased by almost 100% year-on-year albeit from a very low base, accounting for 9.6% of total manufacturing revenue (first half of 2020: 6.5%).

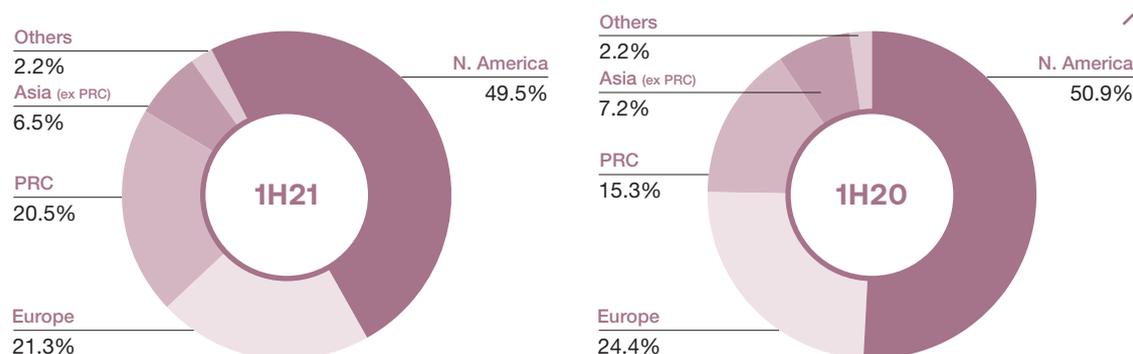
Demand for our Casual footwear category recovered strongly as demand normalised in the first half of 2021, increasing 51.3% year-on-year and accounting for 33.6% (first half of 2020: 30.1%) of total manufacturing revenue. Meanwhile, our Fashion products recovered at a slower pace, increasing 5.7% year-on-year and accounting for 14.7% of total manufacturing revenue (first half of 2020: 18.8%).

Manufacturing Revenue by Product Categories for First Half of 2021 & 2020



Geographically, North America and Europe remain our two largest markets, accounting for 49.5% and 21.3% of our total revenue during the six months under review. This was followed by the PRC (including Hong Kong), which accounted for 20.5%, Asia (other than the PRC), which accounted for 6.5% and other geographic regions, which accounted for 2.2%.

Group Revenue by Geography for First Half of 2021 & 2020



Revenue attributed to our branding business increased 7.3% to US\$7.4 million during the period under review, which was attributed to the recovery of the global retail sector.

Gross profit

Our gross profit for the period under review increased by 64.1% to US\$139.0 million, compared to US\$84.7 million in the same period of last year. Our gross profit margin increased to 20.0%, compared to 16.6% in the same period of last year. This was attributable to a higher mix of high-ASP products, including boots, resulting from a return to normal seasonality.

Operating profit

Our reported operating profit¹ for the period under review was US\$36.3 million, compared to a reported operating loss¹ of US\$3.4 million in the same period of last year. The return to profit was supported by the recovery in revenue and shipment volumes, better operating leverage and increased production efficiency at some divisions. This was partially offset by higher product development costs related to our new Luxury customers (who are seeking new styles and complex products), costs associated with exiting customers to enhance our customer portfolio, and one-off costs that amount to US\$4.8 million (mainly severance payments related to factory closures).

Excluding the one-off costs of US\$4.8 million, the non-GAAP adjusted operating profit² for the Group during the period under review was US\$41.1 million, compared to an adjusted operating profit² of US\$10.9 million in the same period of last year. The adjusted recurring operating margin would be 5.9%, compared to 2.1% in the same period of last year.

Net results

Our effective tax rate has increased after our exemption to the Macau Complementary Tax expired on 1 January 2021, increasing the tax exposure of one of our wholly-owned subsidiaries to 12%. For more details, see Note 6 to our Financial Statements.

Due to the factors outlined above, the Group recorded a net profit of US\$32.2 million for the period under review, compared to a net loss of US\$5.2 million in the same period of last year. The adjusted net profit during the period under review was US\$37.0 million, compared to an adjusted net profit of US\$9.1 million in the same period of last year.

Continued focus on credit risk and cash flow management to safeguard financial position

The Group continuously assesses the credit risk of our customer portfolio to reduce its risk exposure. As a result of our dedicated efforts in managing credit risk and cash flow, the Group posted a net cash position of US\$68.8 million as at 30 June 2021, compared to a net cash position of US\$3.1 million as at 30 June 2020. Therefore, the Group's net gearing ratio³ was -7.2%, as at 30 June 2021 compared to -0.3% as at 30 June 2020.

¹ Reported operating profit/loss is the Group's operating profit/loss before changes in fair value of financial instruments.

² Adjusted operating profit is a non-GAAP measure that refers to operating profit excluding one-off items, which mainly comprised of severance payments booked in the six months ended 30 June 2021 following the completion of the Group's migration of production capacity to Southeast Asia.

³ Net gearing ratio = net debt/shareholder equity.

OUTLOOK

We expect our volume to continue rebounding in for the second half of 2021, although the pace of volume and revenue recovery is likely to moderate due to the higher base in the second half of 2020. A year-on-year comparison of quarterly shipment volumes for the rest of 2021 may also be uneven due to the significant impact the COVID-19 pandemic had on the normal seasonality of shipment volume and product mix in 2020.

Our product mix has been normalising further as demand for our Casual and Fashion footwear products continue to recover. Nevertheless, our Sports footwear category will remain our main growth driver, in addition to the high-potential Luxury footwear category.

Some risks to this outlook remain, particularly from the recent wave of new infections in Southeast Asia that could potentially impact our production and supply chain. We have stepped up anti-COVID-19 measures at all of our factories, adopting highly flexible and adaptive measures to minimise the impact of any disruption to our production. Where possible and where safe, we will undertake overtime and other measures to meet our order deadlines, in line with the health directives of local authorities.

Our primary focus, however, remains on achieving profitable and sustainable long-term growth. We are continuing to prioritise margin improvement and steady volume growth by capitalising on promising opportunities that match our business model and proven R&D and commercialisation capabilities, particularly those in the Sports and Luxury product categories.

We see good growth potential arising from the fast-growing athleisure market, into which our Luxury and Fashion brand customers are seeking to launch new products following in the footsteps of major sportswear brands for whom limited edition/collectable product lines and cross-brand collaborations are a big profit driver. We are currently in the early stages of serving a number of new customers in this area, therefore, driving up product development cost. We remain one of the very few manufacturers globally that can efficiently produce these highly complex footwear models which require a high standard of craftsmanship, complicated production processes, and strong technical know-how – attributes that are difficult to emulate.

Our strategy to enhance our customer portfolio in 2021 will lead to higher costs from exiting some customer accounts. However, we believe the customer portfolio enhancement strategy is a margin accretive direction in the long run. With orders expected to steadily increase over the coming years, we have initiated plans to steadily increase our capacity in line with demand. Our new factory in Indonesia will commence operations in the third quarter of 2021 and is expected to contribute to overall sales in 2022.

We are also continuing to pursue lateral growth opportunities for our handbag business, capitalising on synergies emerging from our high-end customer base. However, it will take some time for our handbag business to meaningfully contribute to our overall business.

CASH RETURN TO SHAREHOLDERS

As we work towards implementing these strategies and fully capitalising on the above trends, we remain committed to returning profit to shareholders and providing attractive shareholder returns. After considering the Group's free cash flow situation, the Board has resolved to declare an interim dividend of HK21 cents per ordinary share for the six months ended 30 June 2021.

In addition, we have continued to take advantage of the price volatility in equity markets to repurchase 1,064,500 outstanding shares at the weighted average price of HK\$9.49 per share during the six months ended 30 June 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2021, the Group had cash and cash equivalents of approximately US\$76.6 million (31 December 2020: US\$108.7 million; 30 June 2020: US\$54.7 million).

In the six months ended 30 June 2021, net cash outflows used in operations was US\$9.3 million, compared to net cash inflows of US\$25.2 million for the corresponding period of 2020.

Net cash outflows used in investing activities were US\$26.7 million during the period under review (for the six months ended 30 June 2020: US\$40.7 million), representing a decrease of 34.4%. Capital expenditure amounted to approximately US\$21.7 million during the period under review (for the six months ended 30 June 2020: US\$25.4 million).

As at 30 June 2021, the Group had current assets of approximately US\$691.8 million (31 December 2020: US\$625.4 million) and current liabilities of approximately US\$228.8 million (31 December 2020: US\$210.5 million). The current ratio (which is calculated on the basis of current assets over current liabilities) was 3.0 as at 30 June 2021 (31 December 2020: 3.0), an indication of the Group's high liquidity and healthy financial position.

BANK BORROWINGS

The Group had bank borrowings of US\$7.8 million as at 30 June 2021 (31 December 2020: US\$2.9 million), a reduction of US\$43.8 million compared to 30 June 2020 (30 June 2020: US\$51.6 million).

The Group maintained a net cash position of US\$68.8 million as at 30 June 2021 (31 December 2020: US\$105.8 million; 30 June 2020; US\$3.1 million). Therefore, the Group's net gearing ratio³ was -7.2% as at 30 June 2021 compared to -0.3% as at 30 June 2020.

FOREIGN CURRENCY EXPOSURE

During the six months ended 30 June 2021, the Group's sales were mostly denominated in U.S. dollars, while the purchase of raw materials and operating expenses were mostly denominated in U.S. dollars and RMB. Currency exposures were mostly in RMB and Hong Kong dollars against US dollars, the functional currency of the Group.

PLEDGE OF ASSETS

As at 30 June 2021, the Group had pledged US\$11.4 million of its assets (31 December 2020: US\$5.8 million).

³ Net gearing ratio = net debt/shareholder equity.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no contingent liabilities (31 December 2020: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

Customers and suppliers are our core stakeholders. We believe their successes are indispensable to our growth. Also, an effective alignment between them is the key to high-performing supply chain competitiveness. Our brand customers evaluate supply chain performance on product commercialisation, quality, on-time delivery and efficiency. The Company consistently places within the top 10 percentile of these vendors' evaluations.

We treasure our alliance with these long-term partners and we will continue to build strategic and fruitful relationships with them to enable continuous improvements in quality, craftsmanship, innovation, speed to market and small batch production.

EMPLOYEES

As at 30 June 2021, the Group had approximately 39,400 employees (31 December 2020: approximately 37,200). We cultivate a caring, sharing and learning culture among our employees and believe that human resources are significant assets to the Group's development and expansion. We actively seek to attract, develop and retain individuals who are proactive, positive, committed to and passionate about our business.

The Group has continued to build a strong management team internally through effective learning and promotion programs, including our "Leadership Program" to identify potential high calibre colleagues, to assess the quality of senior management and ultimately to determine appropriate incentives and other human resources development measures. With a view to recognising and rewarding the contribution of employees, as well as providing incentives to employees in order to retain them for the continual operation and development of the Group and attracting suitable personnel for the further development of the Group, the Company has adopted a long-term incentive scheme and a share award plan.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK21 cents per ordinary share for the six months ended 30 June 2021. The interim dividend will be paid to shareholders listed on the register of members of the Company at the close of business on 14 September 2021. It is expected that the interim dividend will be paid on or about 24 September 2021. In order to qualify for the interim dividend for the six months ended 30 June 2021, all share transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 14 September 2021.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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To the board of directors of Stella International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 11 to 36, which comprises the condensed consolidated statement of financial position of Stella International Holdings Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young

Certified Public Accountants

Hong Kong

19 August 2021

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

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
REVENUE	4	695,465	511,474
Cost of sales		(556,421)	(426,725)
Gross profit		139,044	84,749
Other income		6,632	9,311
Other gains and losses, net		(8,872)	(5,780)
Selling and distribution expenses		(20,462)	(18,519)
Administrative expenses		(78,341)	(70,309)
Impairment losses on financial assets, net		(4,886)	(3,137)
Share of profit of a joint venture		3,234	1,541
Share of loss of an associate		–	(1,247)
Operating profit/(loss) before changes in fair value of financial instruments		36,349	(3,391)
Net fair value gain/(loss) on financial instruments		7	(84)
Operating profit/(loss) after changes in fair value of financial instruments		36,356	(3,475)
Interest income		518	222
Interest expense		(186)	(312)
PROFIT/(LOSS) BEFORE TAX	5	36,688	(3,565)
Income tax expense	6	(4,477)	(1,681)
PROFIT/(LOSS) FOR THE PERIOD		32,211	(5,246)
OTHER COMPREHENSIVE INCOME/(LOSS)			
<i>Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		4,290	(4,051)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX		4,290	(4,051)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		36,501	(9,297)
Profit/(loss) attributable to:			
Owners of the parent		31,132	(5,247)
Non-controlling interests		1,079	1
		32,211	(5,246)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		35,641	(9,299)
Non-controlling interests		860	2
		36,501	(9,297)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic (in HK cents) (equivalent to US cents)		30.47 3.93	(5.12) (0.66)
– Diluted (in HK cents) (equivalent to US cents)		30.44 3.93	(5.12) (0.66)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	403,909	411,607
Investment properties		4,656	5,009
Right-of-use assets		44,864	45,573
Investment in a joint venture		34,389	31,155
Investments in associates		672	672
Deposits for acquisition of property, plant and equipment		913	4,575
Deposit for acquisition of a subsidiary		25,600	25,600
Pledged bank deposits		5,462	–
Total non-current assets		520,465	524,191
CURRENT ASSETS			
Inventories		219,361	184,998
Trade receivables	10	348,634	265,309
Prepayments, deposits and other receivables		47,045	66,302
Financial assets at fair value through profit or loss	11	95	88
Cash and cash equivalents		76,631	108,667
Total current assets		691,766	625,364
CURRENT LIABILITIES			
Trade payables	12	88,368	77,280
Other payables and accruals	13	95,498	86,909
Interest-bearing bank borrowings	14	263	2,893
Lease liabilities		4,773	4,438
Tax payable		39,927	38,974
Total current liabilities		228,829	210,494
NET CURRENT ASSETS		462,937	414,870
TOTAL ASSETS LESS CURRENT LIABILITIES		983,402	939,061
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	7,561	–
Lease liabilities		14,696	15,222
Total non-current liabilities		22,257	15,222
Net assets		961,145	923,839
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	10,143	10,165
Share premium and reserves		950,945	914,422
		961,088	924,587
Non-controlling interests		57	(748)
Total equity		961,145	923,839

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the parent													Total equity US\$'000
	Note	Share capital US\$'000	Share premium US\$'000	Share repurchase reserve US\$'000	Merger reserve US\$'000	Capital reserve US\$'000	Exchange reserve US\$'000	Shares held for share award scheme US\$'000	Capital redemption reserve US\$'000	Share option reserve US\$'000	Retained profits US\$'000	Sub-total US\$'000	Non-controlling interests US\$'000	
At 1 January 2021 (audited)		10,165	155,156	(740)	38,841	1,146	7,374	(2,722)	190	1,813	713,364	924,587	(748)	923,839
Profit for the period		-	-	-	-	-	-	-	-	-	31,132	31,132	1,079	32,211
Other comprehensive income for the period:														
Exchange differences on translation of foreign operations		-	-	-	-	-	4,509	-	-	-	-	4,509	(219)	4,290
Total comprehensive income for the period		-	-	-	-	-	4,509	-	-	-	31,132	35,641	860	36,501
Deregistration of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	(55)	(55)
Equity-settled share option arrangements		-	-	-	-	-	-	-	-	2,160	-	2,160	-	2,160
Shares repurchased		-	-	(1,300)	-	-	-	-	-	-	-	(1,300)	-	(1,300)
Shares cancelled		(22)	-	2,040	-	-	-	-	-	-	(2,018)	-	-	-
At 30 June 2021 (unaudited)		10,143	155,156	-	38,841	1,146	11,883	(2,722)	190	3,973	742,478	961,088	57	961,145
At 1 January 2020 (audited)		10,165	155,156	-	38,841	1,146	(2,859)	(2,722)	190	1,936	757,816	959,669	(503)	959,166
Loss for the period		-	-	-	-	-	-	-	-	-	(5,247)	(5,247)	1	(5,246)
Other comprehensive loss for the period:														
Exchange differences on translation of foreign operations		-	-	-	-	-	(4,052)	-	-	-	-	(4,052)	1	(4,051)
Total comprehensive loss for the period		-	-	-	-	-	(4,052)	-	-	-	(5,247)	(9,299)	2	(9,297)
Equity-settled share option arrangements		-	-	-	-	-	-	-	-	325	-	325	-	325
Final 2019 dividend	7	-	-	-	-	-	-	-	-	-	(46,137)	(46,137)	-	(46,137)
At 30 June 2020 (unaudited)		10,165	155,156	-	38,841	1,146	(6,911)	(2,722)	190	2,261	706,432	904,558	(501)	904,057

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		36,688	(3,565)
Depreciation of property, plant and equipment	5	24,411	20,924
Depreciation of investment properties	5	398	351
Depreciation of right-of-use assets	5	2,872	1,402
Other adjustments		(1,159)	4,909
Operating cash inflows		63,210	24,021
Changes in working capital		(68,654)	3,347
Other operating cash flows		(3,864)	(2,218)
Net cash flows (used in)/from operating activities		(9,308)	25,150
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		518	222
Purchases of items of property, plant and equipment		(21,622)	(23,706)
Acquisition of right-of-use assets		–	(244)
Deposit paid for acquisition of items of property, plant and equipment		(115)	(1,455)
Proceeds from disposal of property, plant and equipment		8	634
Increase in pledged bank deposits		(5,462)	–
Deposit paid for acquisition of a subsidiary		–	(16,200)
Net cash flows used in investing activities		(26,673)	(40,749)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		5,000	167,460
Repayment of bank loans		–	(118,881)
Dividends paid		–	(46,137)
Interest paid		(186)	(185)
Principal portion of lease payments		(2,263)	(865)
Shares repurchased		(1,300)	–
Net cash flows from financing activities		1,251	1,392
NET DECREASE IN CASH AND CASH EQUIVALENTS		(34,730)	(14,207)
Cash and cash equivalents at beginning of period		108,667	68,061
Effect of foreign exchange rate changes, net		2,694	872
CASH AND CASH EQUIVALENTS AT END OF PERIOD		76,631	54,726
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		82,093	54,726
Less: Pledged bank deposits with original maturity of more than three months when acquired		(5,462)	–
Cash and cash equivalents		76,631	54,726

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2021

1. BASIS OF PREPARATION

The interim condensed consolidated financial information have been prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and Hong Kong Accounting Standard 34 *Interim Financial Reporting* (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The interim condensed consolidated financial information do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020.

These interim condensed consolidated financial information have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in United States dollars (“US\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies and the basis of preparation adopted in the preparation of these interim condensed consolidated financial information are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in US\$ based on the London Interbank Offered Rate (“LIBOR”) as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the six months ended 30 June 2021, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any rent concessions.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

- the manufacturing segment engages in the sale and manufacture of footwear and handbag
- the footwear retailing and wholesaling segment engages in the sale of self-developed brands

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income, rental income, income from sales of scrap, fair value losses from the Group's financial instruments, research and development costs, depreciation of investment properties, finance costs, share of profits/(losses) of a joint venture and an associate as well as unallocated corporate income, expenses, gains and losses are excluded from such measurement.

As at 31 December 2020, the financial results of manufacturing were aggregated with footwear and handbag in the financial statements. Comparative figures of the segment information have been reclassified to conform with the current year's presentation.

Segment assets exclude investment properties, investments in a joint venture and associates, financial assets at fair value through profit or loss, cash and cash equivalents and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2021 (Unaudited)

	Manufacturing US\$'000	Retailing and wholesaling US\$'000	Total US\$'000
Segment revenue			
Sales to external customers	688,037	7,428	695,465
Intersegment sales	4,455	–	4,455
	692,492	7,428	699,920
Reconciliation:			
Elimination of intersegment sales			(4,455)
Revenue			695,465
Segment results	40,892	(3,820)	37,072
Reconciliation:			
Corporate and other unallocated income			6
Corporate and other unallocated expenses, gains and losses			(3,963)
Share of result of a joint venture			3,234
Operating profit before changes in fair value of financial instruments			36,349
Net fair value gain on financial instruments			7
Operating profit after changes in fair value of financial instruments			36,356
Interest income			518
Interest expense			(186)
Profit before tax			36,688

3. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2020 (Unaudited)

	Manufacturing US\$'000	Retailing and wholesaling US\$'000	Total US\$'000
Segment revenue			
Sales to external customers	504,549	6,925	511,474
Intersegment sales	5,557	–	5,557
	510,106	6,925	517,031
Reconciliation:			
Elimination of intersegment sales			(5,557)
Revenue			511,474
Segment results	4,411	(6,255)	(1,844)
Reconciliation:			
Corporate and other unallocated income			29
Corporate and other unallocated expenses, gains and losses			(1,870)
Share of result of a joint venture			1,541
Share of result of an associate			(1,247)
Operating loss before changes in fair value of financial instruments			(3,391)
Net fair value loss on financial instruments			(84)
Operating loss after changes in fair value of financial instruments			(3,475)
Interest income			222
Interest expense			(312)
Loss before tax			(3,565)

3. OPERATING SEGMENT INFORMATION (continued)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2021 and 31 December 2020, respectively.

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
Segment assets		
Manufacturing	1,104,286	1,022,840
Retailing and wholesaling	70,605	41,620
	1,174,891	1,064,460
Others	37,340	85,095
	1,212,231	1,149,555
Segment liabilities		
Manufacturing	245,363	172,519
Retailing and wholesaling	1,296	10,874
	246,659	183,393
Others	4,427	42,323
	251,086	225,716

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June 2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
Revenue from contracts with customers	695,465	511,474

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2021 (Unaudited)

Segments	Manufacturing US\$'000	Retailing and wholesaling US\$'000	Total US\$'000
Types of goods			
Sales of footwear and handbag	688,037	7,428	695,465

4. REVENUE (continued)

Disaggregated revenue information for revenue from contracts with customers (continued)

For the six months ended 30 June 2021 (Unaudited) (continued)

Segments

	Manufacturing US\$'000	Retailing and wholesaling US\$'000	Total US\$'000
Geographical markets			
Asia	45,434	62	45,496
Europe	146,499	1,857	148,356
North America	344,435	–	344,435
The People's Republic of China (the "PRC")	137,368	5,509	142,877
Other countries	14,301	–	14,301
Total revenue from contracts with customers	688,037	7,428	695,465
Timing of revenue recognition			
Goods transferred at a point of time	688,037	7,428	695,465

For the six months ended 30 June 2020 (Unaudited)

Segments

	Manufacturing US\$'000	Retailing and wholesaling US\$'000	Total US\$'000
Types of goods			
Sales of footwear and handbag	504,549	6,925	511,474
Geographical markets			
Asia	36,567	101	36,668
Europe	122,924	1,635	124,559
North America	260,336	3	260,339
The PRC	73,038	5,185	78,223
Other countries	11,684	1	11,685
Total revenue from contracts with customers	504,549	6,925	511,474
Timing of revenue recognition			
Goods transferred at a point of time	504,549	6,925	511,474

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
Cost of inventories sold	556,053	426,130
Depreciation of property, plant and equipment	24,411	20,924
Depreciation of investment properties	398	351
Depreciation of right-of-use assets	2,872	1,402
Net fair value (gain)/loss on financial assets at fair value through profit or loss	(7)	84
Severance payments and other related costs	4,802	13,493
Overhead costs related to factory suspension resulting from COVID-19	–	2,767
PRC government subsidies related to COVID-19*	(84)	(1,924)
Impairment losses of financial assets, net#	4,886	3,137
Write-down of inventories, net	368	595
Bank interest income	(214)	(219)
Interest income from financial assets at fair value through profit or loss	(304)	(3)
Write-off of property, plant and equipment	7,038	–
Loss on disposal of items of property, plant and equipment	342	1,139
Foreign exchange differences, net	1,492	1,874

* PRC government subsidies represent subsidies granted to the Group by the local governmental authority in mainland China for the business support of prevention and control of the COVID-19 outbreak. There are no unfulfilled conditions or contingencies relating to these grants.

Impairment losses of financial assets included impairments of trade receivables and other receivables.

6. INCOME TAX

Tax on profits assessable in the PRC has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% (six months ended 30 June 2020: 25%) during the six months ended 30 June 2021.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Macau Complementary Tax has been provided at the rate of 12% (six months ended 30 June 2020: 12%) on the assessable profits arising in Macau during the period. Pursuant to the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, Stella International Trading (Macao Commercial Offshore) Limited ("SIT (MCO)"), a wholly-owned subsidiary of the Group, was entitled to the exemption of Macau Complementary Tax, which was valid up to 31 December 2020.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
Charge for the period – PRC	2,579	1,578
Charge for the period – Macau	1,372	–
Charge for the period – Elsewhere	526	103
	4,477	1,681

7. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Final declared and paid – Nil (2020: HK45 cents) per ordinary share	–	46,137
Interim – HK21 cents (2020: Nil) per ordinary share	21,371	–
	21,371	46,137

On 19 August 2021, the board of directors (the “Board”) declared an interim dividend of HK21 cent per ordinary share, amounting to approximately US\$21,371,000.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2021 attributable to ordinary equity holders of the parent of US\$31,132,000 (loss for the six months ended 30 June 2020: US\$5,247,000), and the weighted average number of ordinary shares of 792,141,577 (six months ended 30 June 2020: 793,002,500) in issue during the period.

During the six months ended 30 June 2021, the calculation of the diluted earnings per share was based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation was the number of ordinary shares in issue during that period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amount presented for the six months ended 30 June 2020 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted earnings/(loss) per share are based on:

	Six months ended 30 June	
	2021	2020
	US\$'000	US\$'000
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to ordinary equity holders of the parent, used in basic and diluted earnings/(loss) per share calculation	31,132	(5,247)

	Six months ended 30 June	
	Number of shares	
	2021	2020
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	792,141,577	793,002,500
Effect of dilution – weighted average number of ordinary shares: Share options	684,975	–
	792,826,552	793,002,500

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment of US\$21,622,000 (six months ended 30 June 2020: US\$23,706,000). In addition, the Group has disposed and written off of certain items of property, plant and equipment with an aggregate carrying amount of US\$7,388,000 (six months ended 30 June 2020: US\$1,773,000) for cash proceeds of US\$8,000 (six months ended 30 June 2020: US\$634,000), resulting in an aggregate loss of US\$7,380,000 (six months ended 30 June 2020: US\$1,139,000).

10. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of each reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
Within 1 month	203,265	166,522
1 to 2 months	89,936	55,682
2 to 3 months	39,788	20,741
3 to 6 months	12,857	13,014
6 to 12 months	1,579	8,064
Over 1 year	1,209	1,286
	348,634	265,309

The Group's trading terms with its customers are mainly on credit. The standard payment terms are generally 30 days and selected customers up to 90 days.

Included in the Group's trade receivables are amounts due from the Group's associates of US\$55,604,000 (31 December 2020: US\$57,699,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
Listed debt investments, at fair value	95	88

The above debt investments at 30 June 2021 were classified as financial assets at fair value through profit or loss as they were held for trading.

12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the reporting period, based on the invoice date, is as follows:

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
Within 1 months	64,590	59,412
1 to 2 months	13,458	10,991
Over 2 months	10,320	6,877
	88,368	77,280

12. TRADE PAYABLES (continued)

Included in the trade payables are trade payables of US\$22,269,000 (31 December 2020: US\$20,286,000) due to a joint venture which are repayable within 90 days, and have credit terms similar to those offered by the joint venture to its major customers.

Trade payables are non-interest-bearing and are normally settled on a credit term of 60 days.

13. OTHER PAYABLES AND ACCRUALS

	<i>Notes</i>	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
Other payables	<i>(a)</i>	44,689	28,143
Accruals		50,414	58,371
Financial guarantee contracts	<i>(b)</i>	395	395
		95,498	86,909

Notes:

- (a) Other payables are non-interest-bearing and have an average credit term of three months.
- (b) The financial guarantee contracts represent guarantees given to banks in connection with facilities granted to an associate. The associate's banking facilities granted by the banks were US\$15,000,000 (31 December 2020: US\$15,000,000), of which US\$5,000,000 (31 December 2020: US\$5,000,000) was utilised by the associate. The Group does not hold any collateral or other credit enhancements over the guarantee.

The Group does not provide financial guarantees except for limited circumstances. All guarantees are approved by the Group's chief financial officer in accordance with the authorised limits and conditions as approved by the Board.

14. INTEREST-BEARING BANK BORROWINGS

	30 June 2021 (Unaudited)			31 December 2020 (Audited)		
	Effective interest rate %	Maturity	US\$'000	Effective interest rate %	Maturity	US\$'000
Current						
Bank loans – secured	0.94	2022	263	0.92	2021	2,893
Non-current						
Bank loans – secured	0.94-2.70	2023-2028	7,561	–	–	–
			7,824			2,893

14. INTEREST-BEARING BANK BORROWINGS (continued)

Notes:

(a) The carrying amounts of the Group's bank borrowings are denominated in the following currencies:

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
New Taiwan dollar ("TWD")	2,824	2,893
US\$	5,000	–
	7,824	2,893

(b) As at 30 June 2021, certain of the Group's bank borrowings are secured by mortgages over the Group's freehold land and buildings, which had carrying values of approximately US\$3,970,000 and US\$1,924,000 (31 December 2020: US\$3,887,000 and US\$1,943,000), respectively.

As at 30 June 2021, the pledged bank deposits of US\$5,462,000 were pledged to banks to secure certain bank borrowings and due in 2023.

15. SHARE CAPITAL

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
Authorised: 5,000,000,000 ordinary shares of HK\$0.1 each	63,975	63,975
Issued and fully paid: 793,078,500 (31 December 2020: 794,780,500) ordinary shares of HK\$0.1 each	10,143	10,165

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital US\$'000
At 31 December 2020 and 1 January 2021	794,780,500	10,165
Share cancelled (<i>Note (a)</i>)	(1,702,000)	(22)
As at 30 June 2021	793,078,500	10,143

15. SHARE CAPITAL (continued)

(a) Share cancelled

During the six months ended 30 June 2021, the Company repurchased its own shares through the Stock Exchange as follows:

	Number of shares	Highest price per share HK\$	Lowest price per share HK\$	Aggregate consideration paid US\$'000
5 January 2021	4,000	9.00	9.00	5
6 January 2021	4,500	9.00	9.00	5
3 May 2021	75,000	9.49	9.46	92
4 May 2021	380,500	9.49	9.48	466
5 May 2021	2,500	9.49	9.49	3
1 June 2021	23,500	9.49	9.49	29
10 June 2021	574,500	9.49	9.38	700
	1,064,500			1,300

During the six months ended 30 June 2021, the Company has cancelled 1,702,000 shares of which US\$22,000 was charged to share capital.

16. SHARE OPTION SCHEME

Long term incentive scheme

The Company's former long term incentive scheme (the "2007 Scheme") was conditionally approved by a written resolution of the shareholders passed on 15 June 2007 and was adopted by a resolution of the Board passed on 15 June 2007 for the primary purpose of providing incentives to, among other participants, directors and eligible employees, and expired on 5 July 2017. Under the 2007 Scheme, the Board may grant an award either by way of option, to subscribe shares of the Company, an award of shares or a grant of a conditional right to acquire shares, to eligible participants. Pursuant to the terms of the 2007 Scheme, the Company appointed a trustee, Teeroy Limited (the "Trustee"), for the purpose of administering awards of Restricted Unit Awards under the 2007 Scheme. As at 30 June 2021, the Trustee maintained a pool of 1,778,000 (31 December 2020: 1,778,000) shares (the "Entrusted Shares") on trust for the Company and it will, at the direction of the Company, transfer, assign or otherwise deal with the Entrusted Shares, provided that no Entrusted Shares may be transferred to the Company unless in compliance with the applicable laws and regulations (including the Code of Share Repurchase) and that the Trustee is not required to exercise the voting rights attaching to the Entrusted Shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

16. SHARE OPTION SCHEME (continued)

Long term incentive scheme (continued)

On 17 March 2017, a total of 27,970,000 share options were granted under the 2007 Scheme.

The vesting of the share options on a particular vesting date is conditional upon satisfaction of certain conditions, including (1) the net profit ratio and the revenue growth ratio of the Group for the financial year immediately preceding the relevant vesting date shall meet the targets as prescribed by the Board for the relevant financial year; and (2) the relevant grantee shall obtain the grade prescribed in the performance appraisal to be conducted and completed by management before the relevant vesting date in respect of the work performance of the relevant grantee in the financial year immediately preceding that vesting date.

Details of the share options granted and outstanding under the 2007 Scheme during the six months ended 30 June 2021 were as follows:

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2020 (Audited)	Exercised during the year (Audited)	Forfeited/lapsed during the year (Audited)	Outstanding as at 31.12.2020 (Audited)	Forfeited/lapsed during the period (Unaudited)	Outstanding as at 30.6.2021 (Unaudited)
Director											
Mr. Chi Lo-Jen	2017-A	17.3.2017	11.48	16.3.2018	16.3.2018 to 16.3.2023	-	-	-	-	-	-
	2017-B	17.3.2017	11.48	22.3.2019	22.3.2019 to 16.3.2023	341,750	-	-	341,750	-	341,750
	2017-C	17.3.2017	11.48	20.3.2020	20.3.2020 to 16.3.2023	683,500	-	-	683,500	-	683,500
	2017-D	17.3.2017	11.48	19.3.2021	19.3.2021 to 16.3.2023	683,500	-	(683,500)	-	-	-
	2017-E	17.3.2017	11.48	2022 vesting date	2022 vesting date to 16.3.2023	683,500	-	-	683,500	-	683,500
						2,392,250	-	(683,500)	1,708,750	-	1,708,750
Employees and other eligible participants:											
In aggregate	2017-A	17.3.2017	11.48	16.3.2018	16.3.2018 to 16.3.2023	-	-	-	-	-	-
	2017-B	17.3.2017	11.48	22.3.2019	22.3.2019 to 16.3.2023	1,701,250	-	(166,250)	1,535,000	(20,750)	1,514,250
	2017-C	17.3.2017	11.48	20.3.2020	20.3.2020 to 16.3.2023	4,175,500	-	(394,500)	3,781,000	-	3,781,000
	2017-D	17.3.2017	11.48	19.3.2021	19.3.2021 to 16.3.2023	4,175,500	-	(4,175,500)	-	-	-
	2017-E	17.3.2017	11.48	2022 vesting date	2022 vesting date to 16.3.2023	4,175,500	-	(376,000)	3,799,500	(239,000)	3,560,500
						14,227,750	-	(5,112,250)	9,115,500	(259,750)	8,855,750
Total						16,620,000	-	(5,795,750)	10,824,250	(259,750)	10,564,500
Exercisable at the end of the year/period									10,824,250		10,564,500
Weighted average exercise price (HK\$ per share)*						11.48	-	11.48	11.48	11.48	11.48

* The exercise price of the share options is subject to adjustment in the case of changes in the Company's share capital.

During the six months ended 30 June 2021, no share option was granted under the 2007 Scheme and the Company recognised a share option expense of US\$119,000 (six months ended 30 June 2020: US\$284,000).

No share option was exercised under the 2007 Scheme during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

16. SHARE OPTION SCHEME (continued)

Long term incentive scheme (continued)

At the end of the reporting period, the Company had 10,564,500 share options outstanding under the 2007 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 10,564,500 additional ordinary shares of the Company and additional share capital of US\$136,000 and share premium of US\$15,513,000 (before issue expenses).

Subsequent to the six months ended 30 June 2021 and up to the date of approval of these financial statements, a total of 90,750 share options were lapsed.

At the date of approval of these financial statements, the Company had 10,564,500 share options outstanding under the 2007 Scheme, which represented approximately 1.33% of the Company's shares in issue as at that date.

Share award plan

On 16 March 2017, the Company adopted a new share award plan (the "Share Award Plan") pursuant to which shares of the Company may be awarded to selected eligible participants, including, among others, any employee of, non-executive director of, supplier of goods or services to, customer of, person or entity providing design, research, development or other technological support to, shareholder of, holder of any security issued by, and adviser or consultant in respect of any area of business or business development of any member of the Group or any entity in which any member of the Group holds any equity interest, and any other groups or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group. The Share Award Plan became effective immediately on 16 March 2017 and, unless otherwise terminated or amended, shall remain in force for 10 years from that date.

In any given financial year of the Company, the maximum number of shares to be subscribed for and/or purchased by the trustee by utilising the funds to be allocated by the Board out of the Company's resources for the purpose of the Share Award Plan shall not exceed 2.5% of the total number of issued shares as at the beginning of such financial year. Details of the Share Award Plan are set out in the announcement of the Company dated 16 March 2017.

During the period ended 30 June 2021, no shares were granted under the Share Award Plan.

Share option scheme

On 19 May 2017, the Company adopted a new share option scheme (the "2017 Scheme") pursuant to which options may be granted to selected participants, including, among others, any employee of, non-executive director of, supplier of goods or services to, customer of, person or entity providing design, research, development or other technological support to, shareholder of, holder of any security issued by, and adviser or consultant in respect of any area of business or business development of any member of the Group or any entity in which any member of the Group holds any equity interest, and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group. The 2017 Scheme became effective immediately on 19 May 2017 and, unless otherwise terminated or amended, shall remain in force for 10 years from that date.

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2007 Scheme, the 2017 Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the shares in issue from time to time (i.e. 238,240,350 shares as at the date of this interim report) (the "Overriding Limit").

The total number of shares which may be issued upon exercise of all options to be granted under the 2017 Scheme and any other share option scheme of the Group must not in aggregate exceed 79,437,950 shares, representing 10% of the shares in issue as at the effective date of the 2017 Scheme ("General Scheme Limit").

The maximum number of shares issuable under share options to each eligible participant in the 2017 Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by all the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at the date of offer, with an aggregate value (based on the price of the Company's shares at the date of offer) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

16. SHARE OPTION SCHEME (continued)

Share option scheme (continued)

The offer of a grant of share options may be accepted within 21 days from the date of offer. The exercise period of the share options granted is determinable by the directors, and commences after the date upon which the offer for the grant of options is accepted but not later than ten years from the date of offer of the share options or the expiry date of the 2017 Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the 5 trading days immediately preceding the date of offer; and (iii) the nominal value of the shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 15 April 2020, 26 November 2020 and 19 March 2021, 2,700,000 share options ("April 2020 Scheme"), a total of 17,163,000 share options ("November 2020 Scheme") and a total of 19,695,000 share options ("March 2021 Scheme") were granted respectively under the 2017 Scheme.

Details of the share options granted and outstanding under the 2017 Scheme were as follows:

April 2020 Scheme

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2020 (Audited)	Granted during the year (Audited)	Forfeited/ lapsed during the year (Audited)	Outstanding as at 31.12.2020 (Audited)	Forfeited/ lapsed during the period (Unaudited)	Outstanding as at 30.6.2021 (Unaudited)
In aggregate	2020-A	15.4.2020	8.71	19.3.2021	19.3.2021 to 5.7.2027	-	900,000	-	900,000	-	900,000
	2020-B	15.4.2020	8.71	2022 vesting date	2022 vesting date to 5.7.2027	-	900,000	-	900,000	-	900,000
	2020-C	15.4.2020	8.71	2023 vesting date	2023 vesting date to 5.7.2027	-	900,000	-	900,000	-	900,000
Total						-	2,700,000	-	2,700,000	-	2,700,000
Exercisable at the end of the year/period									2,700,000		2,700,000
Weighted average exercise price (HK\$ per share)*						-	8.71	-	8.71	-	8.71

During the six months ended 30 June 2021, the Company recognised a share option expense of US\$67,000 (six months ended 30 June 2020: US\$41,000).

No share option was exercised under the April 2020 Scheme during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

Subsequent to the six months ended 30 June 2021 and up to the date of approval of these financial statements, no share option lapsed.

16. SHARE OPTION SCHEME (continued)

Share option scheme (continued)

Details of the share options granted and outstanding under the 2017 Scheme were as follows: (continued)

November 2020 Scheme

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2020 (Audited)	Granted during the year (Audited)	Forfeited/ lapsed during the year (Audited)	Outstanding as at 31.12.2020 (Audited)	Forfeited/ lapsed during the period (Unaudited)	Outstanding as at 30.6.2021 (Unaudited)
Director											
Mr. Chi Lo-Jen	2020-A	26.11.2020	9.15	26.11.2021	26.11.2021 to 25.11.2030	-	316,500	-	316,500	-	316,500
	2020-B	26.11.2020	9.15	26.11.2022	26.11.2022 to 25.11.2030	-	316,500	-	316,500	-	316,500
	2020-C	26.11.2020	9.15	26.11.2023	26.11.2023 to 25.11.2030	-	316,500	-	316,500	-	316,500
						-	949,500	-	949,500	-	949,500
Employees and other eligible participants:											
In aggregate	2020-A	26.11.2020	9.15	26.11.2021	26.11.2021 to 25.11.2030	-	5,404,500	-	5,404,500	(136,500)	5,268,000
	2020-B	26.11.2020	9.15	26.11.2022	26.11.2022 to 25.11.2030	-	5,404,500	-	5,404,500	(136,500)	5,268,000
	2020-C	26.11.2020	9.15	26.11.2023	26.11.2023 to 25.11.2030	-	5,404,500	-	5,404,500	(136,500)	5,268,000
						-	16,213,500	-	16,213,500	(409,500)	15,804,000
Total						-	17,163,000	-	17,163,000	(409,500)	16,753,500
Exercisable at the end of the year/period									17,163,000		16,753,500
Weighted average exercise price (HK\$ per share)*						-	9.15	9.15	9.15	9.15	9.15

* The exercise price of the share options is subject to adjustment in the case of changes in the Company's share capital.

During the six months ended 30 June 2021, the Company recognised a share option expense of US\$1,187,000 (six months ended 30 June 2020: Nil).

No share option was exercised under the November 2020 Scheme during the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

Subsequent to the six months ended 30 June 2021 and up to the date of approval of these financial statements, a total of 780,000 share options lapsed.

16. SHARE OPTION SCHEME (continued)

Share option scheme (continued)

Details of the share options granted and outstanding under the 2017 Scheme were as follows: (continued)

March 2021 Scheme

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 31.12.2020 (Audited)	Granted during the period (Unaudited)	Outstanding as at 30.6.2021 (Unaudited)
Director:								
Mr. Chi Lo-Jen	2021-A	19.3.2021	9.46	19.3.2022	19.3.2022 to 18.3.2031	-	500,000	500,000
	2021-B	19.3.2021	9.46	19.3.2023	19.3.2023 to 18.3.2031	-	500,000	500,000
	2021-C	19.3.2021	9.46	19.3.2024	19.3.2024 to 18.3.2031	-	500,000	500,000
						-	1,500,000	1,500,000
Employees and other eligible participants:								
In aggregate	2021-A	19.3.2021	9.46	19.3.2022	19.3.2022 to 18.3.2031	-	6,065,000	6,065,000
	2021-B	19.3.2021	9.46	19.3.2023	19.3.2023 to 18.3.2031	-	6,065,000	6,065,000
	2021-C	19.3.2021	9.46	19.3.2024	19.3.2024 to 18.3.2031	-	6,065,000	6,065,000
						-	18,195,000	18,195,000
Total						-	19,695,000	19,695,000
Exercisable at the end of the period						-		19,695,000
Weighted average exercise price (HK\$ per share)*						-	9.46	9.46

* The exercise price of the share options is subject to adjustment in the case of changes in the Company's share capital.

The fair value of the share options for the March 2021 Scheme granted during the period was US\$4,416,000 (HK\$1.86 each), of which the Company recognised a share option expense US\$787,000 during the six months ended 30 June 2021.

No share option was exercised under the March 2021 Scheme during the six months ended 30 June 2021.

Subsequent to the six months ended 30 June 2021 and up to the date of approval of these financial statements, a total of 270,000 share options lapsed.

16. SHARE OPTION SCHEME (continued)

Share option scheme (continued)

The fair value of equity-settled share options granted during the six months ended 30 June 2021 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	March 2021 Scheme
Dividend yield (%)	5.38%
Expected volatility (%)	32.53%
Risk-free interest rate (%)	1.28%
Life of options (year)	10 years
Weighted average share price (HK\$ per share)	9.46

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 39,148,500 share options outstanding under the 2017 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 39,148,500 additional ordinary shares of the Company and additional share capital of US\$505,000 and share premium of US\$46,349,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 39,148,500 share options outstanding under the 2017 Scheme, which represented approximately 4.94% of the Company's shares in issue as at that date.

17. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
Contracted, but not provided for:		
Plant and equipment	1,208	5,935
Acquisition of a subsidiary	1,400	1,400
	2,608	7,335

18. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the six months ended 30 June 2021:

	Notes	Six months ended 30 June	
		2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
Associates:			
Sales of products	(i)	5,493	5,135
Purchases of products	(ii)	–	1,931
Joint venture:			
Purchases of products	(ii)	43,262	27,442
Max Branding Group:			
Sales of footwear products	(iii)	547	534

Notes:

- (i) The sales to the associate were made according to the published prices and conditions offered to the major customers of the Group. The sales to Couture Accessories Holdings Limited, an associate, also constitute continuing connected transactions, as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”), amounting to US\$5,493,000 (six months ended 30 June 2020: US\$5,135,000).
- (ii) The purchases from the associate and the joint venture were made according to the published prices and conditions offered by the associate and the joint venture to their major customers.
- (iii) The sales constitute continuing connected transactions, as defined in Chapter 14A of the Listing Rules.
- (b) Other transactions with related parties

The Group has guaranteed banking facilities granted to an associate amounting to US\$15,000,000 (31 December 2020: US\$15,000,000) as at the end of the reporting period.

- (c) Outstanding balances with related parties

Details of the Group’s trade balances with its joint ventures and associates as at the end of the reporting period are disclosed in notes 10 and 12 to the financial statements.

- (d) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2021 US\$'000 (Unaudited)	2020 US\$'000 (Unaudited)
Short term employee benefits	519	583
Equity-settled share option expense	147	35
Total compensation paid to key management personnel	666	618

19. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

30 June 2021 (Unaudited)

Financial assets

	Financial assets at fair value through profit or loss US\$'000	Financial assets at amortised cost US\$'000	Total US\$'000
Trade receivables	–	348,634	348,634
Financial assets included in prepayment, deposits and other receivables	–	33,707	33,707
Financial assets at fair value through profit or loss	95	–	95
Pledged bank deposits	–	5,462	5,462
Cash and cash equivalents	–	76,631	76,631
	95	464,434	464,529

Financial liabilities

	Financial liabilities at amortised cost US\$'000
Trade payables	88,368
Financial liabilities included in other payables and accruals	44,689
Lease liabilities	19,469
Interest-bearing bank borrowings	7,824
	160,350

31 December 2020 (Audited)

Financial assets

	Financial assets at fair value through profit or loss US\$'000	Financial assets at amortised cost US\$'000	Total US\$'000
Trade receivables	–	265,309	265,309
Financial assets included in prepayments, deposits and other receivables	–	62,024	62,024
Financial assets at fair value through profit or loss	88	–	88
Cash and cash equivalents	–	108,667	108,667
	88	436,000	436,088

Financial liabilities

	Financial liabilities at amortised cost US\$'000
Trade payables	77,280
Financial liabilities included in other payables and accruals	28,143
Lease liabilities	19,660
Interest-bearing bank borrowings	2,893
	127,976

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)	30 June 2021 US\$'000 (Unaudited)	31 December 2020 US\$'000 (Audited)
Financial assets				
Financial assets at fair value through profit or loss	95	88	95	88
Financial liabilities				
Interest-bearing bank borrowings (note 14)	7,824	2,893	7,416	2,869

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer, executive directors and the Audit Committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 30 June 2021 was assessed to be insignificant.

The fair value of listed debt investments are based on quoted market prices.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2021 (Unaudited)

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Financial assets at fair value through profit or loss	95	–	–	95

As at 31 December 2020 (Audited)

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Financial assets at fair value through profit or loss	88	–	–	88

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 30 June 2021 (Unaudited)

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Interest-bearing bank borrowings	–	7,416	–	7,416

As at 31 December 2020 (Audited)

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
Interest-bearing bank borrowings	–	2,869	–	2,869

21. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation.

22. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the Board on 19 August 2021.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or was required to be recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Aggregate long positions in shares and underlying shares of the Company

Director	Capacity/Nature of Interests	Number of Shares		Number of Underlying Shares	Total	Approximate Percentage of Shareholding (Notes 5)
		Personal Interest	Corporate Interest			
Bolliger Peter	Beneficial owner	150,000	–	–	150,000	0.02%
Chan Fu Keung	Beneficial owner	50,000	–	–	50,000	0.01%
Chao Ming-Cheng, Eric	Beneficial owner and interest of controlled corporation	238,500	30,364,612 (Note 1)	–	30,603,112	3.86%
Chen Li-Ming, Lawrence	Beneficial owner and interest of controlled corporation	777,000	27,992,227 (Note 2)	–	28,769,227	3.62%
Chi Lo-Jen	Beneficial owner	1,783,500	–	4,158,250 (Note 3)	5,941,750	0.75%
Chiang Jeh-Chung, Jack	Beneficial owner and interest of controlled corporation	331,500	41,725,918 (Note 4)	–	42,057,418	5.30%

Notes:

- These interests were held by Perfect Epoch Limited, the entire issued share capital of which was held by Chao Ming-Cheng, Eric. Chao Ming-Cheng, Eric was deemed to be interested in the shares of the Company in which that company was interested by virtue of the SFO.
- These interests were held by Blue Diamond Investment Corp, the entire issued share capital of which was held by Chen Li-Ming, Lawrence. Chen Li-Ming, Lawrence was deemed to be interested in the shares of the Company in which that company was interested by virtue of the SFO.
- These interests are Options (as defined in the paragraphs headed "The 2007 Scheme" and "The 2017 Scheme" in the section headed "Other Information" below) granted under the 2007 Scheme (as defined in the paragraphs headed "The 2007 Scheme" in the section headed "Other Information" below, out of which 1,025,250 Options were vested but not yet exercised).
- These interests were held by Merci Capital Limited, the entire issued share capital of which was held by Chiang Jeh-Chung, Jack. Chiang Jeh-Chung, Jack was deemed to be interested in the shares of the Company in which that company was interested by virtue of the SFO.
- The percentage represents the number of shares involved divided by the number of the Company's issued shares as at 30 June 2021 (i.e. 793,078,500 ordinary shares).

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executive of the Company had an interest or short position in the shares, underlying shares and debentures of the Company or its associated corporation which had been 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 were deemed or taken to have under such provisions of the SFO), or was required to be recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2021, the interests and short positions of the then shareholders of the Company (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:–

Long position in the shares of the Company

Name	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding <i>(Note)</i>
Cordwalner Bonaventure Inc.	Beneficial owner	262,112,214	33.05%

Note:

The percentage represents the number of shares involved divided by the number of the Company's issued shares as at 30 June 2021 (i.e. 793,078,500 ordinary shares).

Save as disclosed above, as at 30 June 2021, no person (other than a Director or chief executive of the Company whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above), had an interest or short position in the shares and underlying shares of the Company that were required to be recorded in the register required to be kept by the Company under section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

CORPORATE GOVERNANCE

The Board and management of the Group are committed to achieving high standards of corporate governance through increasing transparency, accountability and better risk assessment and mitigation. We believe that high standard of corporate governance practices will translate into long-term returns to the shareholders of the Company (the “Shareholders”). The Company has applied the principles and complied with all code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2021, except for code provision B.1.5 of the CG Code. The Company had not disclosed the details of remuneration payable to members of senior management by band in the annual report of 2020 for observing competitive market practices and respecting individual privacy.

Governance Model

The Company advocates a governance model which combines both corporate governance and business governance in order to build long-term interests for the Group. Corporate governance emphasises on conformance to relevant laws and regulations while business governance focuses on business performance. We believe the combination of both will enhance accountability and assurance to the Shareholders which are the key drivers for value creation for the Group.

Model Code for Securities Transactions by Directors (the “Model Code”)

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the Directors. The Company has made specific enquiry of all its Directors regarding any non-compliance with the Model Code. All the Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2021.

Board Practices

The Board assumes the responsibility for leadership and control of the Company, and is collectively responsible for the success of the Company by directing and supervising the Company’s affairs. The respective responsibility of the Board and the management of the Company have been formalised and set out in writing.

There is a clear division of responsibilities between the chairman of the Board and the chief executive officer of the Group, which have been formalised and set out in writing.

To ensure that the Board has a balance of skills and experience appropriate for the requirements of the business of the Group, the policy of selection and nomination of Directors has been established and set out in writing. Directors are selected and nominated based on their experience, competencies, skills, geographical network capabilities and cross-border experiences in pursuit of maintaining a Board of diversified background and competencies, in order to contribute to more effective Board deliberations and business directions of the Group.

Every Director is required to keep abreast of his responsibilities as a Director of the Company and of the conduct, business activities and development of the Company. Directors have been provided with monthly updates giving a balanced and understandable assessment of the Group’s performance, position and prospects in sufficient detail to enable them to make an informed decision and to discharge their duties and responsibilities as Directors.

Risk Management and Internal Control

The effectiveness of the risk management and internal control systems and the progress of internal audit are reviewed, and their respective aspects that can be strengthened are identified, at the regular Audit Committee (as defined below) meetings. The findings at such meetings are reported subsequently at Board meetings. This enables the Directors to assess the effectiveness of the risk management and internal control systems of the Group, which helps manage enterprise risks and improving its risk mitigation. The internal control functions are vested in the internal audit team which reports directly to the Audit Committee and the chief executive officer of the Company.

Audit Committee

Pursuant to the requirements of the CG Code and Rule 3.21 of the Listing Rules, the Company has established an audit committee (the “Audit Committee”) comprising four independent non-executive Directors, Mr. Yue Chao-Tang, Thomas, Mr. Chen Johnny, Mr. Chan Fu Keung, William, *BBS* and Mr. Lian Jie. The chairman of the Audit Committee is Mr. Yue Chao-Tang, Thomas. The principal duties of the Audit Committee include the review of the relationship with the Company’s external auditor, review of the financial information of the Company, oversight of the Company’s financial reporting system, internal control and risk management procedures, and the review of the Company’s compliance with any applicable laws and regulations. The Audit Committee has reviewed the Group’s interim report for the six months ended 30 June 2021, including the accounting treatment adopted by the Company for the reporting period, with no disagreement.

Remuneration Committee

The Company has established a remuneration committee (the “Remuneration Committee”) pursuant to the requirements of the Listing Rules. The Remuneration Committee has three members comprising three independent non-executive Directors, Mr. Chan Fu Keung, William, *BBS*, Mr. Chen Johnny and Mr. Yue Chao-Tang, Thomas. The chairman of the Remuneration Committee is Mr. Chan Fu Keung, William, *BBS*. The principal duties of the Remuneration Committee include making recommendations to the Board on the Company’s policy and structure for all Directors’ and senior management’s remuneration, reviewing and making recommendations to the Board and the management’s remuneration proposals for Directors and reviewing the Group’s overall human resources strategy.

Nomination Committee

The Company has established a nomination committee (the “Nomination Committee”) in compliance with the CG Code. The Nomination Committee has six members comprising all independent non-executive Directors, Mr. Chen Johnny, Mr. Bolliger Peter, Mr. Chan Fu Keung, William, *BBS*, Mr. Yue Chao-Tang, Thomas, Mr. Lian Jie and Ms. Shi Nan Sun. The chairman of the Nomination Committee is Mr. Chen Johnny. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorship, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors.

Corporate Governance Committee

To facilitate more effective implementation of corporate governance practices, the Company has established a corporate governance committee (the “Corporate Governance Committee”). The Corporate Governance Committee has three members comprising three independent non-executive Directors, Mr. Bolliger Peter, Mr. Chan Fu Keung, William, *BBS* and Mr. Yue Chao-Tang, Thomas. The chairman of the Corporate Governance Committee is Mr. Bolliger Peter. The principal duties of the Corporate Governance Committee include developing and reviewing the Company’s policies and practices on corporate governance, reviewing and monitoring the Company’s policies and practices on compliance with legal and regulatory requirements, reviewing the Company’s compliance with the CG Code and the relevant disclosure in the Company’s annual and interim reports, reviewing and monitoring the Company’s communication policy and practices with its Shareholders and investor communities and reviewing and monitoring the training and continuous professional development of Directors and senior management. The Corporate Governance Committee advocates upholding the principles of “4Rs” – regulatory compliance, risk management, investor relations and corporate social responsibility, believing that the fulfillment of which will translate into long-term returns to the Shareholders.

Executive Committee

To facilitate more efficient day-to-day operations of the Group and to handle such matters as delegated by the Board from time to time, the Company has established an executive committee (the “Executive Committee”) in July 2015. The Executive Committee has two members comprising all executive Directors, Mr. Chi Lo-Jen and Mr. Chen Li-Ming, Lawrence. The chairman of the Executive Committee is Mr. Chi Lo-Jen. The principal duties of the Executive Committee include monitoring and reviewing the implementation of business plans or projects approved by and policies laid down by the Board, discussing and making decisions on matters relating to the management and operations of the Group including but not limited to corporate matters, financial/treasury planning and business and operating strategies and considering and making recommendations to the Board on acquisition, disposals or investments in business or any other projects.

OTHER INFORMATION

UPDATE ON DIRECTORS' INFORMATION

BOLLIGER Peter, aged 76, is an independent non-executive Director of the Company, the chairman of the Corporate Governance Committee and a member of the Nomination Committee of the Board. Mr. Bolliger had extensive experience in retail business with renowned department stores. From 1990 to 1994, he was the managing director of Harrods, London, the director of House of Fraser Plc and the chairman of Kurt Geiger, London (which is one of the leading luxury footwear retailers in Europe). Prior to these appointments, he had served at shoes companies, such as the managing director of A & D Spitz (Pty) Ltd., South Africa (1982 to 1990) and the managing director of Bally Shoes, Scandinavian Division, Denmark. In 1994, he joined Clarks and became the chief executive in 2002 until his retirement in May 2010. From February 2015 to June 2021, he was an independent non-executive director of GrandVision B.V., a company was then listed on the Euronext N.V. In addition, he is the non-executive Chairman of Kurt Geiger, London. Mr. Bolliger has been appointed as independent non-executive Director of the Company since October 2010.

EVENTS AFTER THE REPORTING PERIOD

There are no events causing material impact on the Group from the end of the reporting period to the date of this report.

THE 2007 SCHEME

A long term incentive scheme (the “2007 Scheme”) was conditionally approved by a written resolution of the Shareholders passed on 15 June 2007 and was adopted by a resolution of the Board on 15 June 2007 and as amended by a resolution of the duly authorised committee of the Board on 18 June 2007 and further amended by a resolution of the Shareholders passed on 6 May 2011. The 2007 Scheme had expired on 5 July 2017.

The purpose of the 2007 Scheme is to attract and retain the best available personnel, to provide additional incentive to employees, directors, shareholders of any member of the Group or any holder of any securities issued by any member of the Group, and to reward any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group who are potential contributors to the success, development and/or growth of the Group.

The eligible participants under the 2007 Scheme include employees, directors, shareholders of any member of the Group or holders of any securities issued by any member of the Group and advisers (professional or otherwise) or consultants to any area of business development of any member of the Group. The Board may, at its discretion and on such terms as it may think fit, grant to any eligible participant an award, either in the form of or a combination of (1) an option (“Option(s)”) to subscribe for shares in the Company (“Shares”), (2) an award of Shares held in the name of or for the benefit of a grantee in accordance with the restricted share award agreement to be entered into by such grantee and the Company or (3) a grant of a conditional right to acquire Shares (“Restricted Unit Award(s)”) as the Board may determine in accordance with the terms of the Scheme.

On 17 March 2017 (the “Date of Grant”), a total of 27,970,000 Options were granted to a total of 107 eligible participants (each of the eligible participants, the “Grantee”). Out of these 27,970,000 Options, 3,417,500 Options were granted to Chi Lo-Jen, an executive director of the Company, and an aggregate of 24,552,500 Options were granted to the employees and other eligible participants of the Group. Details are set out as below:

Subscription price of Options granted

HK\$11.48 to subscribe for one Share

Closing price of the Shares immediately before the Date of Grant

HK\$11.48 per Share

Vesting date and validity period of Options

The Options shall be valid for a term of six years from the Date of Grant, which shall be vested on the following date and shall be exercisable as follows:

- (a) subject to the vesting condition as mentioned below being fully or partly satisfied, up to 5,594,000 Options will be vested on the business day immediately following the date of results announcement of the Company for the financial year ended 31 December 2017, i.e. 16 March 2018 (“2018 Vesting Date”), which will be exercisable during the period commencing on the 2018 Vesting Date and expiring on 16 March 2023;
- (b) subject to the vesting condition as mentioned below being fully or partly satisfied, up to 5,594,000 Options will be vested on the business day immediately following the date of results announcement of the Company for the financial year ended 31 December 2018, i.e. 22 March 2019 (“2019 Vesting Date”), which will be exercisable during the period commencing on the 2019 Vesting Date and expiring on 16 March 2023;

- (c) subject to the vesting condition as mentioned below being fully or partly satisfied, up to 5,594,000 Options shall be vested on the business day immediately following the date of results announcement of the Company for the financial year ended 31 December 2019, i.e. 20 March 2020 (“2020 Vesting Date”), which is exercisable during the period commencing on the 2020 Vesting Date and expiring on 16 March 2023;
- (d) subject to the vesting condition as mentioned below being fully or partly satisfied, up to 5,594,000 Options shall be vested on the business day immediately following the date of results announcement of the Company for the financial year ended 31 December 2020, i.e. 19 March 2021 (“2021 Vesting Date”), which is exercisable during the period commencing on the 2021 Vesting Date and expiring on 16 March 2023; and
- (e) subject to the vesting condition as mentioned below being fully or partly satisfied, up to 5,594,000 Options shall be vested on the business day immediately following the date of results announcement of the Company for the financial year ended 31 December 2021 (“2022 Vesting Date”), which is exercisable during the period commencing on the 2022 Vesting Date and expiring on 16 March 2023.

Vesting of the Options on a particular vesting date is conditional upon both of the following conditions being satisfied:

- (1) Both the net profit ratio and the revenue growth ratio of the Group for the financial year immediately preceding the relevant vesting date shall meet the targets as prescribed by the Board for the relevant financial year. If either the net profit ratio or the revenue growth ratio of the Company for the relevant financial year fails to meet the prescribed target, 50% of the Options granted which are expected to vest in the relevant Grantee(s) on the relevant vesting date shall become vested in the relevant Grantee(s) on that date. If both the net profit ratio and the revenue growth ratio of the Company for the relevant financial year meet the prescribed targets, 100% of the Options granted which are expected to vest in the relevant Grantee(s) on the relevant vesting date shall become vested accordingly. However, if both the net profit ratio and the revenue growth ratio of the Company for the relevant financial year fall below the prescribed targets, all the Options granted which are expected to vest in the relevant Grantee(s) on the relevant vesting date shall automatically lapse on that date.
- (2) The relevant Grantee(s) shall obtain grade C or above in the appraisal conducted and completed by the management of the Company before the relevant vesting date in respect of the work performance of the relevant Grantee(s) in the financial year immediately preceding that vesting date. If the relevant Grantee(s) fails to achieve the results as described, all the Options granted which are expected to vest in the relevant Grantee(s) on the relevant vesting date shall automatically lapse on that date.

During the period under review, the movement of the Options is as below:

Category of participants	Outstanding as at 1 January 2021		No. of Options granted	Exercise period	Exercise price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2021
	Date of grant								
Director									
Chi Lo-Jen	-	17 March 2017	-	2018 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	-
	341,750	17 March 2017	-	2019 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	341,750
	683,500	17 March 2017	-	2020 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	683,500
	-	17 March 2017	-	2021 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	-
	683,500	17 March 2017	-	2022 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	683,500
Employees									
	-	17 March 2017	-	2018 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	-
	1,514,500	17 March 2017	-	2019 Vesting Date to 16 March 2023	HK\$11.48	-	-	(20,750)	1,493,750
	3,690,000	17 March 2017	-	2020 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	3,690,000
	-	17 March 2017	-	2021 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	-
	3,708,500	17 March 2017	-	2022 Vesting Date to 16 March 2023	HK\$11.48	-	-	(239,000)	3,469,500
Other eligible participants									
	-	17 March 2017	-	2018 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	-
	20,500	17 March 2017	-	2019 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	20,500
	91,000	17 March 2017	-	2020 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	91,000
	-	17 March 2017	-	2021 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	-
	91,000	17 March 2017	-	2022 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	91,000

Pursuant to the terms of the 2007 Scheme, the Company has entered into an engagement agreement (the “Engagement Agreement”) and a deed of settlement (the “Deed”) dated 2 June 2008 and 27 August 2008 respectively with a trustee (the “Trustee”) for the administration by the Trustee of the awards of Restricted Unit Awards under the 2007 Scheme. The Engagement Agreement and the Deed were subsequently terminated with effect from 15 July 2013.

As at 30 June 2021, the Trustee maintained a pool of 1,778,000 shares (the “Entrusted Shares”) (31 December 2019: 1,778,000 shares) on trust for the Company and it will, at the direction of the Company, (i) transfer, assign or otherwise deal with the Entrusted Shares (other than to the Company); and (ii) account for all other incomes and sales proceeds to the Company.

THE 2017 SCHEME

A new share option scheme (the “2017 Scheme”) was approved by an ordinary resolution of the shareholders of the Company on 19 May 2017. The terms of the 2017 Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules, where appropriate.

Purpose

The purpose of the 2017 Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the New Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Given that the Directors are entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the Listing Rules or such higher price as may be fixed by the Directors, it is expected that grantees of an option will make an effort to contribute to the development of the Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

Participants

The Directors (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may, at its absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares: (a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries or any entity (“Invested Entity”) in which the Group holds an equity interest (“Eligible Employee”); (b) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of the Group or any Invested Entity; (d) any customer of any member of the Group or any Invested Entity; (e) any person or entity that provides design, research, development or other technological support to any member of the Group or any Invested Entity; (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity; (g) any advisor (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity; and (h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, and, for the purposes of the 2017 Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. The eligibility of any of the above class of participants to the grant of any option shall be determined by the Directors from time to time on the basis of the Directors’ opinion as to his contribution to the development and growth of the Group.

Maximum number of Shares

The maximum number of Shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2007 Scheme, the 2017 Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the Shares in issue from time to time (i.e. 237,923,550 Shares as at the date of this interim report) (the “Overriding Limit”).

The total number of Shares which may be issued upon exercise of all options to be granted under the 2017 Scheme and any other share option scheme of the Group must not in aggregate exceed 79,437,950 Shares, representing 10% of the Shares in issue as at the effective date of the 2017 Scheme (“General Scheme Limit”).

Subject to the Overriding Limit, the Company may issue a circular to its shareholders and seek approval of its shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be issued upon exercise of all options to be granted under the 2017 Scheme and any other share option scheme of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit.

Subject to the Overriding Limit, the Company may also seek separate shareholders’ approval in general meeting to grant options beyond the General Scheme Limit or, if applicable, the refreshed limit referred to above to participants specifically identified by the Company before such approval is sought.

The maximum number of Shares which may fall to be issued upon exercise of the options to be granted under the 2017 Scheme and the options granted under any other share option scheme of the Group (including both exercised and outstanding options) to be granted by the Company or any other member of the Group in any given financial year of the Company shall not exceed 2.5% of the Shares in issue as at the beginning of such financial year.

Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the 2017 Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the Shares in issue for the time being (“Individual Limit”). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to separate Shareholders’ approval in general meeting of the Company with such participant and his close associates (or his associates if the participant is a connected person of the Company) abstaining from voting.

Grant of options to connected persons

Any grant of options under the 2017 Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive Directors of the Company (excluding any independent non-executive Director who or whose associate is the proposed grantee of the options). Where any grant of options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant: (i) representing in aggregate over 0.1% of the Shares in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million; such further grant of options must be approved by the Shareholders in general meeting. The Company must send a circular to the Shareholders. The proposed grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting, except that any such person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. Any change in the terms of options granted to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates must be approved by the Shareholders in general meeting.

Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the 2017 Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is accepted but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the New Share Option Scheme for the holding of an option before it can be exercised.

Subscription price for Shares and consideration for the option

The subscription price for Shares under the 2017 Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotations for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the Shares. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option and shall be received by the Company within such time as may be specified in the offer of grant of the option, which shall not be later than 21 days from the offer date.

Period

The 2017 Scheme will remain in force for a period of 10 years commencing on 19 May 2017.

Details of options granted, cancelled/lapsed and outstanding under the 2017 Scheme during the period are as below:–

April 2020 Scheme

On 15 April 2020, 2,700,000 options were granted to an employee of the Group (the “April 2020 Scheme”). During the period under review, the movement of the April 2020 Scheme is as below:

Category of participants	Outstanding as at 1 January 2021	Date of grant	Exercise period	Exercise price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2021
Employee	900,000	15 April 2020	2021 Vesting Date (<i>Note 1</i>) to 5 July 2027	HK\$8.71	–	–	–	900,000
	900,000	15 April 2020	2022 Vesting Date (<i>Note 2</i>) to 5 July 2027	HK\$8.71	–	–	–	900,000
	900,000	15 April 2020	2023 Vesting Date (<i>Note 3</i>) to 5 July 2027	HK\$8.71	–	–	–	900,000

Notes:

- 2021 Vesting Date = the business day immediately following the date of results announcement of the Company for the financial year ended 31 December 2020, i.e. 19 March 2021.
- 2022 Vesting Date = the business day immediately following the date of results announcement of the Company for the financial year ended 31 December 2021.
- 2023 Vesting Date = the business day immediately following the date of results announcement of the Company for the financial year ended 31 December 2022.

November 2020 Scheme

On 26 November 2020, 17,163,000 options were granted to a total of 63 eligible participants (the “November 2020 Scheme”). During the period under review, the movement of the November 2020 Scheme is as below:

Category of participants	Outstanding as at 1 January 2021	Date of grant	Exercise period	Exercise price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2021
Director Chi Lo-Jen	316,500	26 November 2020	26 November 2021 to 25 November 2030	HK\$9.15	–	–	–	316,500
	316,500	26 November 2020	26 November 2022 to 25 November 2030	HK\$9.15	–	–	–	316,500
	316,500	26 November 2020	26 November 2023 to 25 November 2030	HK\$9.15	–	–	–	316,500
Employees	5,404,500	26 November 2020	26 November 2021 to 25 November 2030	HK\$9.15	–	–	136,500	5,268,000
	5,404,500	26 November 2020	26 November 2022 to 25 November 2030	HK\$9.15	–	–	136,500	5,268,000
	5,404,500	26 November 2020	26 November 2023 to 25 November 2030	HK\$9.15	–	–	136,500	5,268,000

March 2021 Scheme

On 19 March 2021, 19,695,000 options were granted to a total of 62 eligible participants (the “March 2021 Scheme”). During the period under review, the movement of the March 2021 Scheme is as below:

Category of participants	Date of grant	Number of Options Grant	Exercise period	Exercise price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2021
Director								
Chi Lo-Jen	19 March 2021	500,000	19 March 2022 to 18 March 2031	HK\$9.46	-	-	-	500,000
	19 March 2021	500,000	19 March 2023 to 18 March 2031	HK\$9.46	-	-	-	500,000
	19 March 2021	500,000	19 March 2024 to 18 March 2031	HK\$9.46	-	-	-	500,000
Employees								
	19 March 2021	6,065,000	19 March 2022 to 18 March 2031	HK\$9.46	-	-	-	6,065,000
	19 March 2021	6,065,000	19 March 2023 to 18 March 2031	HK\$9.46	-	-	-	6,065,000
	19 March 2021	6,065,000	19 March 2024 to 18 March 2031	HK\$9.46	-	-	-	6,065,000

SHARE AWARD PLAN

On 16 March 2017, the Company adopted a share award plan (the “Plan”) pursuant to which Shares may be awarded to selected participants, including, among others, any employee of, non-executive director of, supplier of goods or services to, customer of, person or entity providing design, research, development or other technological support to, shareholder of, holder of any security issued by, and adviser or consultant in respect of any area of business or business development of any member of the Group or any entity in which any member of the Group holds any equity interest, and any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group (collectively, the “Eligible Participants”). The Plan became effective on 16 March 2017 and, unless otherwise terminated or amended, shall remain in force for 10 years from that date.

A trustee (the “Trustee”) shall from time to time be appointed by the Company for the purpose of implementation of the Plan pursuant to and in accordance with the terms of the trust deed entered into between the Company as settler and the Trustee as trustee. In order to satisfy any award of Shares to be granted under the Plan from time to time, the Trustee shall maintain a pool of Shares (the “Shares Pool”) which shall comprise the following: (a) such Shares as may be purchased by the Trustee on the Stock Exchange or off the market by utilising the funds allocated by the Board out of the Company’s resources; (b) such Shares as may be subscribed for by the Trustee by utilising the funds allocated by the Board out of the Company’s resources, subject to the Company having obtained the requisite Shareholders’ approval for the allotment and issue of new Shares, the grant of listing of and permission to deal in such Shares by the Stock Exchange, and compliance with the applicable requirements under the Listing Rules; (c) such Shares as may be (i) transferred to the Trustee from any person (other than the Group) by way of gift, or (ii) purchased by the Trustee on the Stock Exchange or off the market by utilising the funds received by the Trustee from any person (other than the Group) by way of gift; and (d) such Shares which remain unvested and revert to the Trustee due to the lapse of any award of Shares under the Plan. In any given financial year of the Company, the maximum number of Shares to be subscribed for and/or purchased by the Trustee by utilising the funds to be allocated by the Board out of the Company’s resources for the purpose of the Plan shall not exceed 2.5% of the total number of issued Shares as at the beginning of such financial year. The Board shall not instruct the Trustee to subscribe for and/or purchase any Shares for the purpose of the Plan when such purchase and/or subscription will result in such threshold being exceeded.

The Board will make award of Shares only to the extent that there are unallocated Shares available in the Shares Pool. The Board shall notify the Trustee in writing upon the making of an award under the Plan by giving the Trustee an award notice. The Trustee shall then set aside such number of Shares awarded from the Shares Pool and hold the same on trust pending the vesting of the same to the Eligible Participant to whom Shares have been awarded in accordance with the Plan (the “Selected Participant”). The Board may from time to time, at its discretion, determine (i) the earliest date on which the legal and beneficial ownership of any awarded Shares are to be transferred to and vested in any Selected Participant, and (ii) any condition(s) or performance target(s) to be attained by the relevant Selected Participant subject to and upon which the awarded Shares held by the Trustee on trust referable to a Selected Participant shall vest in that Selected Participant.

During the period under review, no award of shares had been made under the Plan.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the period for the six months ended 30 June 2021, the Company repurchased an aggregate of 1,064,500 ordinary shares for a total consideration of approximately HK\$10.10 million on the Stock Exchange. The repurchased ordinary shares were cancelled during the period. Details of the shares repurchased are as follows:–

Month of repurchase in 2021	Number of ordinary shares repurchased	Consideration per shares		Aggregate Consideration paid HK\$ million
		Highest HK\$	Lowest HK\$	
January	8,500	9.00	9.00	0.08
May	458,000	9.49	9.46	4.35
June	598,000	9.49	9.38	5.67

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the period ended 30 June 2021.

By the order of the Board
Stella International Holdings Limited
Chen Li-Ming, Lawrence
Chairman

Hong Kong, 19 August 2021

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

CHEN Li-Ming, Lawrence, *Chairman*
CHI Lo-Jen, *Chief Executive Officer*

Non-executive Directors

CHIANG Jeh-Chung, Jack
CHAO Ming-Cheng, Eric

Independent Non-Executive Directors

CHEN Johnny
BOLLIGER Peter
CHAN Fu Keung, William, *BBS*
YUE Chao-Tang, Thomas
LIAN Jie
SHI Nan Sun

AUDIT COMMITTEE

YUE Chao-Tang, Thomas, *Chairman*
CHEN Johnny
CHAN Fu Keung, William, *BBS*
LIAN Jie

CORPORATE GOVERNANCE COMMITTEE

BOLLIGER Peter, *Chairman*
CHAN Fu Keung, William, *BBS*
YUE Chao-Tang, Thomas

EXECUTIVE COMMITTEE

CHI Lo-Jen, *Chairman*
CHEN Li-Ming, Lawrence

NOMINATION COMMITTEE

CHEN Johnny, *Chairman*
BOLLIGER Peter
CHAN Fu Keung, William, *BBS*
YUE Chao-Tang, Thomas
LIAN Jie
SHI Nan Sun

REMUNERATION COMMITTEE

CHAN Fu Keung, William, *BBS*, *Chairman*
CHEN Johnny
YUE Chao-Tang, Thomas

AUTHORISED REPRESENTATIVES

CHI Lo-Jen
KAN Siu Yim, Katie

CHIEF FINANCIAL OFFICER

TAM Siu Ming, Andrew

COMPANY SECRETARY

KAN Siu Yim, Katie

LEGAL ADVISER

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place, Hong Kong

AUDITORS

Ernst & Young
Certified Public Accountant
Registered Public Interest Entity Auditor
27/F, One Taikoo Place,
979 King's Road, Quarry Bay,
Hong Kong

PRINCIPAL BANKERS

Chinatrust Commercial Bank, Ltd.
The Hongkong and Shanghai Banking
Corporation Limited
Citibank Taiwan Ltd.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Suite 3204, Unit 2A, Block 3, Building D
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Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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