



Interim Report

2022

Stella International Holdings Limited

Stock Code: 1836

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CHAIRMAN'S STATEMENT

Dear shareholders,

2022 turns out to be more challenging than anticipated. Geopolitical events have exacerbated existing inflationary pressures that were already building up in the global supply chain.

We have weathered this storm well so far, as we continue to implement and benefit from our margin-accretive strategies. We operated at close-to-full utilisation during the period under review, as a result of our earlier decision to enhance our customer portfolio with our Sports and Luxury categories. Our Fashion category also recovered very strongly with volumes surpassing pre-pandemic levels.

Moreover, the geographic diversity of our manufacturing base ensured stable operations, despite the return of strict COVID restrictions in some parts of Asia.

In a nutshell, we are performing in line with our expectations, along with our strategies to better capitalise on business opportunities that match our unique capabilities.

The long-term path for our future sustainable growth and profitability remains clear. However, in the shorter term, conditions are hazier. While demand for our products remained robust in the first half of 2022, the visibility is not certain for the rest of the year. As inflation and higher interest rates start to impact consumer sentiment, demand for some of our products may be less promising in the subsequent months when compared to the earlier plan set at the beginning of the year.

But the long-term fundamentals of our business remain strong. Huge growth potential remains around the crossover point between sports and fashion footwear and at the high-end athleisure market. Our unique design and product development capabilities continue to help us win new customers.

At the same time, we are constantly improving our long-term cost base and operational efficiency. The development of our new manufacturing facility in Solo, Indonesia remains on track to deliver additional capacity next year in a very competitive manner. We are also committed to growing together with our largest partner in ways that underscore our unparalleled capabilities, unique strengths and commitment to “making the best shoes”.

Most of all, we remain fully committed to providing returns to our shareholders. In line with our long-standing 70% payout ratio, I am pleased to share that the Board has resolved to declare an interim dividend of HK42 cents per ordinary share.

As we continue to push forward with our growth strategies, I would like to take this opportunity to thank our customers, business partners, employees and shareholders for their sustained support during the interim period.

Chen Li-Ming, Lawrence

Chairman

Hong Kong, 18 August 2022

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 report of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2022.

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

In the first half of 2022, our revenue increased further, supported by a strong bounce back in our Fashion segment to above pre-pandemic levels, as well as continued growth in our Sports and Luxury segments. As a result of this high demand, capacity utilisation remained high, similar to the second half of 2021. More importantly, our operating profit during the period improved significantly year-on-year as a result of our improved operational performance. This outcome is in line with our ongoing margin-expansion strategy, which focuses on capitalising on business opportunities that match our unique capabilities to improve our product and customer mix.

Our long-term capacity expansion and diversification initiatives remained on track as we continue to ramp up our new factory in Solo, Indonesia.

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 2022 are as below:

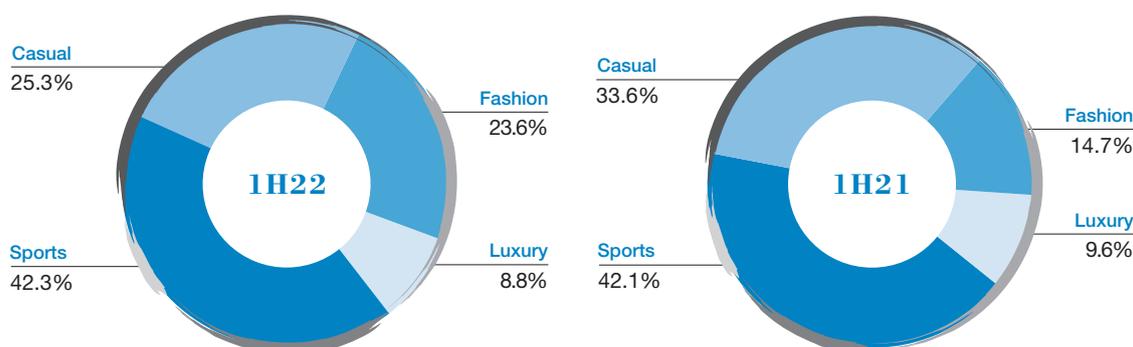
Revenue

The Group's consolidated revenue for the six months ended 30 June 2022 increased by 18.9% to US\$827.2 million, compared to US\$695.5 million in the same period of last year. This was mostly attributable to increased orders within our manufacturing business with shipment volumes increasing by 9.4% to 29.0 million pairs, compared to 26.5 million pairs in the same period of last year, led by our Fashion, Sports and Luxury footwear segments.

The ASP of our footwear products increased by 7.8% to US\$27.8 per pair during the period under review, compared to US\$25.8 per pair in the same period of last year, which was mostly driven by higher raw material costs as well as changes to our product mix and customer mix.

In terms of product category, demand for our Sports category, one of our main growth drivers, increased by 18.7% on a like-for-like basis and accounted for 42.3% of total manufacturing revenue (first half of 2021: 42.1%). With the support of new customers, revenue attributed to our Luxury category increased by 7.8% year-on-year, in line with our expectations, and accounted for 8.8% of total manufacturing revenue (first half of 2021: 9.6%).

Manufacturing Revenue by Product Categories for First Half of 2022 & 2021



Demand from existing customers in the Fashion category bounced back strongly and together with new customers added during the period, revenue attributed to this category increased by 90.1% year-on-year and accounted for 23.6% (first half of 2021: 14.7%) of total manufacturing revenue. Revenue attributed to our Casual category declined by 11.1%, accounting for 25.3% (first half of 2021: 33.6%) of total manufacturing revenue. This was a result of our strategic capacity reallocation among product categories and softer demand from some Casual customers.

Geographically, North America and Europe remained our two largest markets, accounting for 51.9% and 23.9% of our total revenue during the period under review. This was followed by the PRC (including Hong Kong), which accounted for 13.3%, Asia (other than the PRC), which accounted for 8.2% and other geographic regions, which accounted for 2.7%.

Revenue attributed to our branding business (which consists of our retail business in Europe and the wholesale business for our own retail footwear brand *Stella Luna*) dropped by 23.5% to US\$5.7 million during the period under review. The branding business' overall performance was affected by weakness in the wholesale business resulting from COVID restrictions implemented in the PRC during the period under review, particularly in Shanghai.

Gross profit

Our gross profit for the period under review increased by 17.9% to US\$163.9 million, compared to US\$139.0 million in the same period of last year. Our gross profit margin was 19.8%, remaining stable, compared to a gross profit margin of 20.0% in the same period of last year, as further upward support from an improved customer and product mix was offset by higher costs related to raw materials and increased freight cost.

Operating profit

Our reported operating profit¹ for the period under review increased by 89.0% to US\$68.6 million, compared to US\$36.3 million in the same period of last year. This increase was supported by the higher revenue and shipment volumes, an enhanced customer mix, and better operating leverage.

Net results

Due to the factors outlined above, the Group recorded a net profit of US\$60.2 million, compared to US\$32.2 million for the same period of last year.

Strong net cash position

We continuously assess the credit risk of our customer portfolio to reduce our risk exposure. As a result of our dedicated efforts in managing credit risk and cash flow, we posted a net cash position of US\$69.0 million as at 30 June 2022, compared to a net cash position of US\$68.8 million as at 30 June 2021. Therefore, the Group's net gearing ratio² was -6.8%, as at 30 June 2022 compared to -7.2% as at 30 June 2021.

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

² Net gearing ratio = net debt/shareholder equity.

OUTLOOK

The rapidly changing macroeconomic and geopolitical environment is clouding our order book visibility for the second half of the year although we remain cautiously optimistic about seeing a moderate increase in full-year shipment volumes compared to 2021. Some factories may also see a lower utilisation rate in the subsequent months as certain customers adopt a more cautious approach.

Some customers are facing inventory issues, including those in Luxury category, and the impact will be more likely to be reflected in the second half of 2022. Nevertheless, the Group continued to add new customers although their orders are still small and ramping up.

ASP is likely to be flat year-on-year in the second half of the year as inflation started to creep in. Therefore the growth of ASP will be moderate for the full year. However, this will not be reflected in our gross profit margin as a result of our cost-plus business model. Higher logistics costs related to raw materials as well as lower capacity utilisation in selected factories may also weigh on our gross profit margin in the second half of the year.

We are committed to our major long-term capacity expansion projects, with the ramp-up of our new manufacturing facility in Solo, Indonesia, remaining on track. We also remain committed to our previously announced plan to invest in a new manufacturing facility in another part of Indonesia for our major Sports customer. This reflects the long-term commitment between Stella and this customer and their recognition of our unparalleled capabilities, unique strengths and differentiation. That said, we have slowed down some planned smaller-scale capacity expansions at our existing production facilities in light of the changing external environment.

We continue to pursue lateral growth through the building of our handbag business although a further decline in the macroeconomic environment may pressure the operating leverage of this business which is still in its development phase. Our priority continues to be enhancing the product quality and efficiency of this business, while gradually introducing it to more of our high-end customer base.

By capitalising on each of the initiatives above, we will continue to create value and generate higher returns for our shareholders.

CASH RETURN TO SHAREHOLDERS

As we work towards implementing our strategies, we remain committed to returning profit and providing attractive returns to our shareholders. After considering the Group's free cash flow situation, the Board has resolved to declare an interim dividend of HK42 cents per ordinary share for the six months ended 30 June 2022.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2022, the Group had cash and cash equivalents of approximately US\$76.4 million (31 December 2021: US\$135.2 million; 30 June 2021: US\$76.6 million).

In the six months ended 30 June 2022, net cash inflows from operations was US\$33.5 million, compared to net cash outflows of US\$9.3 million used in operations for the corresponding period of 2021.

Net cash outflows used in investing activities were US\$31.6 million during the period under review (for the six months ended 30 June 2021: US\$26.7 million), representing an increase of 18.4%. Capital expenditure amounted to approximately US\$32.2 million during the period under review (for the six months ended 30 June 2021: US\$21.7 million).

As at 30 June 2022, the Group had current assets of approximately US\$748.0 million (31 December 2021: US\$734.9 million) and current liabilities of approximately US\$263.0 million (31 December 2021: US\$257.6 million). The current ratio (which is calculated on the basis of current assets over current liabilities) was 2.8 as at 30 June 2022 (31 December 2021: 2.9), an indication of the Group's high liquidity and healthy financial position.

BANK BORROWINGS

The Group had bank borrowings of US\$7.4 million as at 30 June 2022 (31 December 2021: US\$7.7 million).

The Group maintained a net cash position of US\$69.0 million as at 30 June 2022 (31 December 2021: US\$127.5 million; 30 June 2021; US\$68.8 million). Therefore, the Group's net gearing ratio² was -6.8% as at 30 June 2022 compared to -7.2% as at 30 June 2021.

FOREIGN CURRENCY EXPOSURE

During the six months ended 30 June 2022, 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 2022, the Group had pledged US\$11.0 million of its assets (31 December 2021: US\$11.4 million).

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no contingent liabilities (31 December 2021: 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.

² Net gearing ratio = net debt/shareholder equity

EMPLOYEES

As at 30 June 2022, the Group had approximately 43,360 employees (31 December 2021: approximately 42,500). 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 Programme" 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 attract 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 HK42 cents per ordinary share for the six months ended 30 June 2022. The interim dividend will be paid to shareholders listed on the register of members of the Company at the close of business on 13 September 2022. It is expected that the interim dividend will be paid on or about 23 September 2022. In order to qualify for the interim dividend for the six months ended 30 June 2022, 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 13 September 2022.

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 10 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 2022 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

18 August 2022

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

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
REVENUE	4	827,193	695,465
Cost of sales		(663,279)	(556,421)
Gross profit		163,914	139,044
Other income		6,596	6,632
Other gains and losses, net		(4,864)	(8,872)
Selling and distribution expenses		(21,068)	(20,462)
Administrative expenses		(75,285)	(78,341)
Impairment losses on financial assets, net		(2,005)	(4,886)
Share of profit of a joint venture		1,284	3,234
Operating profit before changes in fair value of financial instruments		68,572	36,349
Net fair value (loss)/gain on financial instruments		(15)	7
Operating profit after changes in fair value of financial instruments		68,557	36,356
Interest income		345	518
Interest expense		(462)	(186)
PROFIT BEFORE TAX	5	68,440	36,688
Income tax expense	6	(8,213)	(4,477)
PROFIT FOR THE PERIOD		60,227	32,211
OTHER COMPREHENSIVE (LOSS)/INCOME			
<i>Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translation of foreign operations		(9,275)	4,290
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX		(9,275)	4,290
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		50,952	36,501
Profit/(loss) attributable to:			
Owners of the parent		60,547	31,132
Non-controlling interests		(320)	1,079
		60,227	32,211
Total comprehensive income/(loss) attributable to:			
Owners of the parent		51,285	35,641
Non-controlling interests		(333)	860
		50,952	36,501
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
– Basic (in US cents)		7.64	3.93
(equivalent to HK cents)		59.77	30.47
– Diluted (in US cents)		7.64	3.93
(equivalent to HK cents)		59.77	30.44

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	30 June 2022 US\$'000 (Unaudited)	31 December 2021 US\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	395,502	410,258
Investment properties		3,810	4,455
Right-of-use assets		83,798	90,398
Investment in a joint venture		39,180	37,896
Investments in associates		608	608
Financial assets at fair value through profit or loss	11	10,000	10,000
Deposits for acquisition of property, plant and equipment		11,544	4,241
Pledged bank deposits		5,468	5,467
Total non-current assets		549,910	563,323
CURRENT ASSETS			
Inventories		256,285	226,189
Trade receivables	10	338,584	328,544
Prepayments, deposits and other receivables		76,683	44,919
Financial assets at fair value through profit or loss	11	48	63
Cash and cash equivalents		76,371	135,170
Total current assets		747,971	734,885
CURRENT LIABILITIES			
Trade payables	12	92,441	88,624
Other payables and accruals	13	121,557	124,955
Interest-bearing bank borrowings	14	247	265
Lease liabilities		4,317	4,809
Tax payable		44,463	38,909
Total current liabilities		263,025	257,562
NET CURRENT ASSETS		484,946	477,323
TOTAL ASSETS LESS CURRENT LIABILITIES		1,034,856	1,040,646
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	7,161	7,449
Lease liabilities		13,207	16,476
Total non-current liabilities		20,368	23,925
Net assets		1,014,488	1,016,721
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	10,155	10,155
Share premium and reserves		986,540	988,440
		996,695	998,595
Non-controlling interests		17,793	18,126
Total equity		1,014,488	1,016,721

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent												
	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	Total equity US\$'000
At 1 January 2022 (audited)	10,155	156,252	-	38,841	1,146	8,994	(2,722)	190	6,109	779,630	998,595	18,126	1,016,721
Profit for the period	-	-	-	-	-	-	-	-	-	60,547	60,547	(320)	60,227
Other comprehensive loss for the period:													
Exchange differences on translation of foreign operations	-	-	-	-	-	(9,262)	-	-	-	-	(9,262)	(13)	(9,275)
Total comprehensive income for the period	-	-	-	-	-	(9,262)	-	-	-	60,547	51,285	(333)	50,952
Equity-settled share option arrangements	-	-	-	-	-	-	-	-	3,461	-	3,461	-	3,461
Final 2021 dividend	-	-	-	-	-	-	-	-	-	(56,646)	(56,646)	-	(56,646)
At 30 June 2022 (unaudited)	10,155	156,252*	-*	38,841*	1,146*	(268)*	(2,722)*	190*	9,570*	783,531*	996,695	17,793	1,014,488

For the six months ended 30 June 2021

	Attributable to owners of the parent												
	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	Total equity 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

* These reserve accounts comprise the consolidated share premium and reserves of US\$986,540,000 (31 December 2021: US\$988,400,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Note	Six months ended 30 June	
		2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		68,440	36,688
Depreciation of property, plant and equipment	5	23,580	24,411
Depreciation of investment properties	5	440	398
Depreciation of right-of-use assets	5	6,284	2,872
Other adjustments		9,961	(1,159)
Operating profit before changes in working capital		108,705	63,210
Changes in working capital		(72,114)	(68,654)
Other operating cash flows		(3,058)	(3,864)
Net cash flows generated from/(used in) operating activities		33,533	(9,308)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		345	518
Purchases of items of property, plant and equipment		(24,854)	(21,622)
Deposit paid for acquisition of items of property, plant and equipment		(7,339)	(115)
Proceeds from disposal of property, plant and equipment		248	8
Increase in pledged bank deposits		–	(5,462)
Net cash flows used in investing activities		(31,600)	(26,673)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		55,989	5,000
Repayment of bank loans		(56,113)	–
Dividends paid		(56,646)	–
Interest paid		(462)	(186)
Principal portion of lease payments		(3,969)	(2,263)
Shares repurchased		–	(1,300)
Net cash flows (used in)/generated from financing activities		(61,201)	1,251
NET DECREASE IN CASH AND CASH EQUIVALENTS		(59,268)	(34,730)
Cash and cash equivalents at beginning of period		135,170	108,667
Effect of foreign exchange rate changes, net		469	2,694
CASH AND CASH EQUIVALENTS AT END OF PERIOD		76,371	76,631
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		81,839	82,093
Less: Pledged bank deposits with original maturity of more than three months when acquired		(5,468)	(5,462)
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		76,371	76,631

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 2021.

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 2021, 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 3
Amendments to HKAS 16
Amendments to HKAS 37
*Annual Improvements to
HKFRSs 2018-2020*

Reference to the Conceptual Framework
Property, Plant and Equipment: Proceeds before Intended Use
Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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, fair value losses from the Group's financial instruments, 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.

3. OPERATING SEGMENT INFORMATION (continued)

Segment assets exclude financial assets at fair value through profit or loss, pledged deposits, and other unallocated corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings 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.

Six months ended 30 June 2022 (Unaudited)

	Manufacturing US\$'000	Retailing and wholesaling US\$'000	Total US\$'000
Segment revenue			
Sales to external customers	821,508	5,685	827,193
Intersegment sales	3,764	–	3,764
	825,272	5,685	830,957
Reconciliation:			
Elimination of intersegment sales			(3,764)
Revenue			827,193
Segment results	79,503	(5,826)	73,677
Reconciliation:			
Corporate and other unallocated income			42
Corporate and other unallocated expenses, gains and losses			(6,431)
Share of result of a joint venture			1,284
Operating profit before changes in fair value of financial instruments			68,572
Net fair value loss on financial instruments			(15)
Operating profit after changes in fair value of financial instruments			68,557
Interest income			345
Interest expense			(462)
Profit before tax			68,440

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)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2022 and 31 December 2021, respectively.

	30 June 2022 US\$'000 (Unaudited)	31 December 2021 US\$'000 (Audited)
Segment assets		
Manufacturing	1,212,412	1,213,401
Retailing and wholesaling	33,281	32,031
	1,245,693	1,245,432
Others	52,188	52,776
	1,297,881	1,298,208
Segment liabilities		
Manufacturing	278,005	276,111
Retailing and wholesaling	1,339	820
	279,344	276,931
Others	4,049	4,556
	283,393	281,487

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
Revenue from contracts with customers	827,193	695,465

4. REVENUE (continued)

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2022 (Unaudited)

Segments

	Manufacturing US\$'000	Retailing and wholesaling US\$'000	Total US\$'000
Types of goods			
Sales of footwear and handbag	821,508	5,685	827,193
Geographical markets			
Asia	68,071	–	68,071
Europe	196,416	1,243	197,659
North America	429,073	–	429,073
The People's Republic of China (the "PRC")	105,874	4,442	110,316
Other countries	22,074	–	22,074
Total revenue from contracts with customers	821,508	5,685	827,193
Timing of revenue recognition			
Goods transferred at a point in time	821,508	5,685	827,193

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
Geographical markets			
Asia	45,434	62	45,496
Europe	146,499	1,857	148,356
North America	344,435	–	344,435
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 in time	688,037	7,428	695,465

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
Cost of inventories sold	662,696	556,053
Depreciation of property, plant and equipment	23,580	24,411
Depreciation of investment properties	440	398
Depreciation of right-of-use assets	6,284	2,872
Net fair value loss/(gain) on financial assets at fair value through profit or loss	15	(7)
Severance payments and other related costs	854	4,802
Government subsidies related to COVID-19*	(6)	(84)
Impairment losses of financial assets, net [#]	2,005	4,886
Write-down of inventories, net	583	368
Bank interest income	(168)	(214)
Interest income from financial assets at fair value through profit or loss	(177)	(304)
Write-off of property, plant and equipment	5,142	7,038
(Gain)/loss on disposal of items of property, plant and equipment	(73)	342
Loss on work stoppage	1,948	–
Foreign exchange differences, net	(2,154)	1,492

* Government subsidies represent subsidies granted to the Group by the local governmental authority for the business support of prevention and control of the coronavirus ("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 2021: 25%) during the six months ended 30 June 2022.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2021: 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 (2021: 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 2021: 12%) on the assessable profits arising in Macau during the period.

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	
	2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
Charge for the period:		
– PRC	5,386	2,579
– Macau	2,545	1,372
– Elsewhere	282	526
	8,213	4,477

7. DIVIDENDS

	Six months ended 30 June	
	2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
Final declared and paid – HK56 cents (2021: Nil) per ordinary share	56,646	–
Interim – HK42 cents (2021: HK21 cents) per ordinary share	42,507	21,371
	99,153	21,371

On 18 August 2022, the board of directors (“the Board”) declared an interim dividend of HK42 cents per ordinary share, amounting to approximately US\$42,507,000.

8. EARNINGS 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 2022 attributable to ordinary equity holders of the parent of US\$60,547,000 (six months ended 30 June 2021: US\$31,132,000), and the weighted average number of ordinary shares of 792,200,500 (six months ended 30 June 2021: 792,141,577) 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.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2022 because the exercise price of the share options granted to directors, employees and other eligible participants as disclosed in note 16 to the interim condensed consolidated financial statements was higher than the average market price of the Company’s shares during the period.

The calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
Profit attributable to ordinary equity holders of the parent, used in basic and diluted earnings per share calculation	60,547	31,132

	Six months ended 30 June Number of shares	
	2022 (Unaudited)	2021 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	792,200,500	792,141,577
Effect of dilution – weighted average number of ordinary shares: Share options	–	684,975
	792,200,500	792,826,552

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment of US\$24,854,000 (six months ended 30 June 2021: US\$21,622,000). In addition, the Group has disposed of and written off certain items of property, plant and equipment with an aggregate carrying amount of US\$5,317,000 (six months ended 30 June 2021: US\$7,388,000) for cash proceeds of US\$248,000 (six months ended 30 June 2021: cash proceeds of US\$8,000), resulting in an aggregate loss of US\$5,069,000 (six months ended 30 June 2021: US\$7,380,000).

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 2022 US\$'000 (Unaudited)	31 December 2021 US\$'000 (Audited)
Within 1 month	177,899	141,809
1 to 2 months	90,412	84,689
2 to 3 months	35,732	43,508
3 to 6 months	11,664	23,542
6 to 12 months	4,997	13,880
Over 1 year	17,880	21,116
	338,584	328,544

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\$24,476,000 (31 December 2021: US\$50,489,000), 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

	<i>Notes</i>	30 June 2022 US\$'000 (Unaudited)	31 December 2021 US\$'000 (Audited)
Unlisted preferred shares, at fair value	<i>(a)</i>	10,000	10,000
Listed debt investments, at fair value	<i>(b)</i>	48	63
		10,048	10,063
Non-current assets		10,000	10,000
Current assets		48	63
		10,048	10,063

Notes:

- (a) On 30 September 2021, the Group purchased 3,252,561 series B preferred shares with conversion right of an unlisted company which was incorporated in the Cayman Island with a principal activity of fashion development at a consideration of US\$10,000,000.

The investment was classified as financial assets at fair value through profit or loss and measured at fair value at initial recognition and at the end of each reporting period. Management considered the investment would not be convertible within the next 12 months and classified it as non-current assets. During the six months ended 30 June 2022, no fair value change was recognised in profit or loss.

- (b) The above debt investments 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 2022 US\$'000 (Unaudited)	31 December 2021 US\$'000 (Audited)
Within 1 month	68,868	67,771
1 to 2 months	13,372	12,213
Over 2 months	10,201	8,640
	92,441	88,624

Included in the trade payables are trade payables of US\$24,925,000 (31 December 2021: US\$25,924,000) 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>Note</i>	30 June 2022 US\$'000 (Unaudited)	31 December 2021 US\$'000 (Audited)
Other payables	<i>(a)</i>	57,505	42,831
Accruals		64,052	82,124
		121,557	124,955

Note:

(a) Other payables are non-interest-bearing and have an average credit term of 90 days.

14. INTEREST-BEARING BANK BORROWINGS

	30 June 2022 (Unaudited)			31 December 2021 (Audited)		
	Effective interest rate %	Maturity	US\$'000	Effective interest rate %	Maturity	US\$'000
Current						
Bank loans – secured	0.98-1.55	2023	247	0.97	2022	265
Non-current						
Bank loans – secured	0.98-2.85	2023-2028	7,161	0.97-2.85	2023-2028	7,449
			7,408			7,714

Notes:

- (a) As at 30 June 2022, bank borrowings of US\$2,408,000 (31 December 2021: US\$2,714,000) are denominated in New Taiwan dollar (“TWD”) and US\$5,000,000 (2021: US\$5,000,000) are denominated in US\$.
- (b) The Group’s bank borrowings are secured by mortgages over the Group’s freehold land, buildings and pledged deposits, which had aggregate carrying values at the end of the reporting period of approximately US\$3,733,000, US\$1,771,000 and US\$5,468,000 (31 December 2021: US\$4,002,000, US\$1,919,000 and US\$5,467,000), respectively.

15. SHARE CAPITAL

	30 June 2022 US\$'000 (Unaudited)	31 December 2021 US\$'000 (Audited)
Authorised: 5,000,000,000 ordinary shares of HK\$0.1 each	63,975	63,975
Issued and fully paid: 793,978,500 ordinary shares of HK\$0.1 each	10,155	10,155

16. SHARE BASED PAYMENTS TRANSACTIONS

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 might 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 2022, the Trustee maintained a pool of 1,778,000 (31 December 2021: 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.

On 17 March 2017, a total of 27,970,000 share options were granted under the 2007 Scheme. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

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.

16. SHARE BASED PAYMENTS TRANSACTIONS (continued)

Long term incentive scheme (continued)

Details of the share options granted and outstanding under the 2007 Scheme during the six months ended 30 June 2022 were as follows:

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2021 (Audited)	Exercised during the year (Audited)	Forfeited/ lapsed during the year (Audited)	Outstanding as at 31.12.2021 (Audited)	Forfeited/ lapsed during the period (Unaudited)	Outstanding as at 30.6.2022 (Unaudited)
Directors:											
Mr. Chi Lo-Jen	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-E	17.3.2017	11.48	18.3.2022	18.3.2022 to 16.3.2023	683,500	-	-	683,500	-	683,500
Mr. Chiang Yi-Min, Harvey	2017-B	17.3.2017	11.48	22.3.2019	22.3.2019 to 16.3.2023	27,000	-	-	27,000	-	27,000
	2017-C	17.3.2017	11.48	20.3.2020	20.3.2020 to 16.3.2023	54,000	-	-	54,000	-	54,000
	2017-E	17.3.2017	11.48	18.3.2022	18.3.2022 to 16.3.2023	54,000	-	-	54,000	-	54,000
						1,843,750	-	-	1,843,750	-	1,843,750
Employees											
	2017-B	17.3.2017	11.48	22.3.2019	22.3.2019 to 16.3.2023	1,487,500	-	(151,250)	1,336,250	(19,500)	1,316,750
	2017-C	17.3.2017	11.48	20.3.2020	20.3.2020 to 16.3.2023	3,636,000	-	(344,250)	3,291,750	(87,000)	3,204,750
	2017-E	17.3.2017	11.48	18.3.2022	18.3.2022 to 16.3.2023	3,654,500	-	(371,500)	3,283,000	(62,000)	3,221,000
						8,778,000	-	(867,000)	7,911,000	(168,500)	7,742,500
Consultants providing consultancy services to the Group											
	2017-B	17.3.2017	11.48	22.3.2019	22.3.2019 to 16.3.2023	20,500	-	-	20,500	-	20,500
	2017-C	17.3.2017	11.48	20.3.2020	20.3.2020 to 16.3.2023	91,000	-	-	91,000	-	91,000
	2017-E	17.3.2017	11.48	18.3.2022	18.3.2022 to 16.3.2023	91,000	-	-	91,000	-	91,000
						202,500	-	-	202,500	-	202,500
Total						10,824,250	-	(867,000)	9,957,250	(168,500)	9,788,750
Exercisable at the end of the year/period									9,957,250		9,788,750
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 2022, no share option was granted under the 2007 Scheme and the Company recognised a share option expense of US\$41,000 (six months ended 30 June 2021: US\$119,000).

No share option was exercised under the 2007 Scheme during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

16. SHARE BASED PAYMENTS TRANSACTIONS (continued)

Long term incentive scheme (continued)

At the end of the reporting period, the Company had 9,788,750 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 9,788,750 additional ordinary shares of the Company and additional share capital of US\$125,000 and share premium of US\$14,282,000 (before issue expenses).

Subsequent to the six months ended 30 June 2022 and up to the date of approval of these financial statements, a total of 305,250 share options were lapsed.

At the date of approval of these financial statements, the Company had 9,483,500 share options outstanding under the 2007 scheme, which represented approximately 1.19% 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 2022, no shares were purchased or 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. 238,193,550 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 (the "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 BASED PAYMENTS TRANSACTIONS (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, 19 March 2021 and 3 January 2022, a total of 2,700,000 share options (the "April 2020 share options"), a total of 17,163,000 share options (the "November 2020 share options"), a total of 19,695,000 share options (the "March 2021 share options") and a total of 19,740,000 share options (the "January 2022 share options") were granted, respectively under the 2017 Scheme.

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

April 2020 share options

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2021 (Audited)	Exercised during the year (Audited)	Forfeited/ lapsed during the year (Audited)	Outstanding as at 31.12.2021 (Audited)	Forfeited/ lapsed during the period (Unaudited)	Outstanding as at 30.6.2022 (Unaudited)
Employee	2020-A	15.4.2020	8.71	19.3.2021	19.3.2021 to 5.7.2027	900,000	(900,000)	-	-	-	-
	2020-B	15.4.2020	8.71	18.3.2022	18.3.2022 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	(900,000)	-	1,800,000	-	1,800,000
Exercisable at the end of the year/period									1,800,000		1,800,000
Weighted average exercise price (HK\$ per share)*						8.71	8.71	-	8.71	-	8.71

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

Vesting date represented the business day immediately following the date of results announcement of the Company for the financial year ended 31 December 2022.

During the six months ended 30 June 2022, the Company recognised a share option expense of US\$29,000 (six months ended 30 June 2021: US\$67,000).

No share option was exercised under the April 2020 share options during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Subsequent to the six months ended 30 June 2022 and up to the date of approval of these financial statements, no share option lapsed.

16. SHARE BASED PAYMENTS TRANSACTIONS (continued)

Share option scheme (continued)

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

November 2020 share options

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2021 (Audited)	Granted during the year (Audited)	Forfeited/ lapsed during the year (Audited)	Outstanding as at 31.12.2021 (Audited)	Forfeited/ lapsed during the period (Unaudited)	Outstanding as at 30.6.2022 (Unaudited)
Directors:											
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
Mr. Chiang Yi-Min, Harvey	2020-A	26.11.2020	9.15	26.11.2021	26.11.2021 to 25.11.2030	226,500	-	-	226,500	-	226,500
	2020-B	26.11.2020	9.15	26.11.2022	26.11.2022 to 25.11.2030	226,500	-	-	226,500	-	226,500
	2020-C	26.11.2020	9.15	26.11.2023	26.11.2023 to 25.11.2030	226,500	-	-	226,500	-	226,500
Mr. Gillman Christopher Charles	2020-A	26.11.2020	9.15	26.11.2021	26.11.2021 to 25.11.2030	226,500	-	-	226,500	-	226,500
	2020-B	26.11.2020	9.15	26.11.2022	26.11.2022 to 25.11.2030	226,500	-	-	226,500	-	226,500
	2020-C	26.11.2020	9.15	26.11.2023	26.11.2023 to 25.11.2030	226,500	-	-	226,500	-	226,500
						2,308,500	-	-	2,308,500	-	2,308,500
Employees											
	2020-A	26.11.2020	9.15	26.11.2021	26.11.2021 to 25.11.2030	4,951,500	-	(533,000)	4,418,500	(33,500)	4,385,000
	2020-B	26.11.2020	9.15	26.11.2022	26.11.2022 to 25.11.2030	4,951,500	-	(533,000)	4,418,500	(396,500)	4,022,000
	2020-C	26.11.2020	9.15	26.11.2023	26.11.2023 to 25.11.2030	4,951,500	-	(533,000)	4,418,500	(396,500)	4,022,000
						14,854,500	-	(1,599,000)	13,255,500	(826,500)	12,429,000
Total						17,163,000	-	(1,599,000)	15,564,000	(826,500)	14,737,500
Exercisable at the end of the year/period									15,564,000		14,737,500
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 2022, the Company recognised a share option expense of US\$549,000 (six months ended 30 June 2021: US\$1,187,000).

No share option was exercised under the November 2020 share options during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Subsequent to the six months ended 30 June 2022 and up to the date of approval of these financial statements, a total of 103,000 share options lapsed.

16. SHARE BASED PAYMENTS TRANSACTIONS (continued)

Share option scheme (continued)

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

March 2021 share options

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2021 (Audited)	Granted during the year (Audited)	Forfeited/lapsed during the year (Audited)	Outstanding as at 31.12.2021 (Audited)	Forfeited/lapsed during the period (Unaudited)	Outstanding as at 30.6.2022 (Unaudited)
Directors:											
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	-	500,000
	2021-B	19.3.2021	9.46	19.3.2023	19.3.2023 to 18.3.2031	-	500,000	-	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	-	500,000
Mr. Chiang Yi-Min, Harvey	2021-A	19.3.2021	9.46	19.3.2022	19.3.2022 to 18.3.2031	-	400,000	-	400,000	-	400,000
	2021-B	19.3.2021	9.46	19.3.2023	19.3.2023 to 18.3.2031	-	400,000	-	400,000	-	400,000
	2021-C	19.3.2021	9.46	19.3.2024	19.3.2024 to 18.3.2031	-	400,000	-	400,000	-	400,000
Mr. Gillman Christopher Charles	2021-A	19.3.2021	9.46	19.3.2022	19.3.2022 to 18.3.2031	-	150,000	-	150,000	-	150,000
	2021-B	19.3.2021	9.46	19.3.2023	19.3.2023 to 18.3.2031	-	150,000	-	150,000	-	150,000
	2021-C	19.3.2021	9.46	19.3.2024	19.3.2024 to 18.3.2031	-	150,000	-	150,000	-	150,000
						-	3,150,000	-	3,150,000	-	3,150,000
Employees											
	2021-A	19.3.2021	9.46	19.3.2022	19.3.2022 to 18.3.2031	-	5,515,000	(270,000)	5,245,000	(20,000)	5,225,000
	2021-B	19.3.2021	9.46	19.3.2023	19.3.2023 to 18.3.2031	-	5,515,000	(270,000)	5,245,000	(475,000)	4,770,000
	2021-C	19.3.2021	9.46	19.3.2024	19.3.2024 to 18.3.2031	-	5,515,000	(270,000)	5,245,000	(475,000)	4,770,000
						-	16,545,000	(810,000)	15,735,000	(970,000)	14,765,000
Total						-	19,695,000	(810,000)	18,885,000	(970,000)	17,915,000
Exercisable at the end of the year/period									18,885,000		17,915,000
Weighted average exercise price (HK\$ per share)*						-	9.46	9.46	9.46	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 share options granted during the six months ended 30 June 2021 was US\$4,613,000 (HK\$1.86 each). During the six months ended 30 June 2022, the Company recognised a share option expense of US\$963,000 (six months ended 30 June 2021: US\$787,000).

No share option was exercised under the March 2021 share options during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Subsequent to the six months ended 30 June 2022 and up to the date of approval of these financial statements, a total of 135,000 share option lapsed.

16. SHARE BASED PAYMENTS TRANSACTIONS (continued)

Share option scheme (continued)

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

January 2022 share options

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2022 (Audited)	Granted during the period (Unaudited)	Forfeited/lapsed during the period (Unaudited)	Outstanding as at 30.6.2022 (Unaudited)
Directors:									
Mr. Chi Lo-Jen	2022-A	3.1.2022	9.10	3.1.2023	3.1.2023 to 2.1.2032	-	500,000	-	500,000
	2022-B	3.1.2022	9.10	3.1.2024	3.1.2024 to 2.1.2032	-	500,000	-	500,000
	2022-C	3.1.2022	9.10	3.1.2025	3.1.2025 to 2.1.2032	-	500,000	-	500,000
Mr. Chiang Yi-Min, Harvey	2022-A	3.1.2022	9.10	3.1.2023	3.1.2023 to 2.1.2032	-	400,000	-	400,000
	2022-B	3.1.2022	9.10	3.1.2024	3.1.2024 to 2.1.2032	-	400,000	-	400,000
	2022-C	3.1.2022	9.10	3.1.2025	3.1.2025 to 2.1.2032	-	400,000	-	400,000
Mr. Gillman Christopher Charles	2022-A	3.1.2022	9.10	3.1.2023	3.1.2023 to 2.1.2032	-	150,000	-	150,000
	2022-B	3.1.2022	9.10	3.1.2024	3.1.2024 to 2.1.2032	-	150,000	-	150,000
	2022-C	3.1.2022	9.10	3.1.2025	3.1.2025 to 2.1.2032	-	150,000	-	150,000
						-	3,150,000	-	3,150,000
Employees	2022-A	3.1.2022	9.10	3.1.2023	3.1.2023 to 2.1.2032	-	5,515,000	(370,000)	5,145,000
	2022-B	3.1.2022	9.10	3.1.2024	3.1.2024 to 2.1.2032	-	5,515,000	(370,000)	5,145,000
	2022-C	3.1.2022	9.10	3.1.2025	3.1.2025 to 2.1.2032	-	5,515,000	(370,000)	5,145,000
						-	16,545,000	(1,110,000)	15,435,000
Consultant providing consultancy services to the Group	2022-A	3.1.2022	9.10	3.1.2023	3.1.2023 to 2.1.2032	-	15,000	-	15,000
	2022-B	3.1.2022	9.10	3.1.2024	3.1.2024 to 2.1.2032	-	15,000	-	15,000
	2022-C	3.1.2022	9.10	3.1.2025	3.1.2025 to 2.1.2032	-	15,000	-	15,000
						-	45,000	-	45,000
Total						-	19,740,000	(1,110,000)	18,630,000
Exercisable at the end of the period									18,630,000
Weighted average exercise price (HK\$ per share)*						-	9.10	9.10	9.10

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

16. SHARE BASED PAYMENTS TRANSACTIONS (continued)

Share option scheme (continued)

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

January 2022 share options (continued)

The fair value of the share options for the January 2022 share options granted during the six months ended 30 June 2022 was US\$6,377,000 (HK\$2.53 each). During the six months ended 30 June 2022, the Company recognised a share option expense of US\$1,879,000 (six months ended 30 June 2021: Nil).

No share option was exercised under the January 2022 share options during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Subsequent to the six months ended 30 June 2022 and up to the date of approval of these financial statements, no share option lapsed.

The fair value of equity-settled share options granted during the six months ended 30 June 2022 and 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:

	January 2022 share options	March 2021 share options
Dividend yield (%)	2.28%	5.38%
Expected volatility (%)	33.27%	32.53%
Risk-free interest rate (%)	1.30%	1.28%
Life of options (year)	10 years	10 years
Weighted average share price (HK\$ per share)	9.10	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.

The summary of outstanding share options under the 2017 Scheme was as follows:

	Exercise price	Outstanding as at 1.1.2022	Granted during the period	Lapsed during the period	Exercised during the period	Outstanding as at 30.6.2022	Granted during the period [^]	Lapsed during the period [^]	At the date of approval of these financial statements
2017 Scheme									
- April 2020 share options	8.71	1,800,000	-	-	-	1,800,000	-	-	1,800,000
- November 2020 share options	9.15	15,564,000	-	(826,500)	-	14,737,500	-	(103,000)	14,634,500
- March 2021 share options	9.46	18,885,000	-	(970,000)	-	17,915,000	-	(135,000)	17,780,000
- January 2022 share options	9.10	-	19,740,000	(1,110,000)	-	18,630,000	-	-	18,630,000
		36,249,000	19,740,000	(2,906,500)	-	53,082,500	-	(238,000)	52,844,500

[^] Period from 1 July 2022 to the date of approval of these financial statements

At the end of the reporting period, the Company had 53,082,500 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 53,082,500 additional ordinary shares of the Company and additional share capital of US\$676,000 and share premium of US\$61,712,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 52,844,500 share options outstanding under the 2017 Scheme, which represented approximately 6.66% 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 2022 US\$'000 (Unaudited)	31 December 2021 US\$'000 (Audited)
Contracted, but not provided for Plant and equipment	4,203	4,888

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 2022:

	<i>Notes</i>	Six months ended 30 June 2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
Associates:			
Sales of products	<i>(i)</i>	4,400	5,493
Joint venture:			
Purchases of products	<i>(ii)</i>	54,743	43,262
Max Branding Group:			
Sales of footwear products	<i>(iii)</i>	–	547

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 (the "Listing Rules"), amounting to US\$4,400,000 (six months ended 30 June 2021: US\$5,493,000).
- (ii) The purchases from 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 constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) 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 interim condensed consolidated financial statements.

(c) Compensation of key management personnel of the Group:

	Six months ended 30 June 2022 US\$'000 (Unaudited)	2021 US\$'000 (Unaudited)
Short term employee benefits	756	519
Equity-settled share option expense	461	147
Total compensation paid to key management personnel	1,217	666

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 2022 (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	–	338,584	338,584
Financial assets included in prepayment, deposits and other receivables	–	71,275	71,275
Financial assets at fair value through profit or loss	10,048	–	10,048
Pledged bank deposits	–	5,468	5,468
Cash and cash equivalents	–	76,371	76,371
	10,048	491,698	501,746

Financial liabilities

	Financial liabilities at amortised cost US\$'000
Trade payables	92,441
Financial liabilities included in other payables and accruals	57,505
Lease liabilities	17,524
Interest-bearing bank borrowings	7,408
	174,878

31 December 2021 (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	–	328,544	328,544
Financial assets included in prepayments, deposits and other receivables	–	43,036	43,036
Financial assets at fair value through profit or loss	10,063	–	10,063
Pledged deposits	–	5,467	5,467
Cash and cash equivalents	–	135,170	135,170
	10,063	512,217	522,280

Financial liabilities

	Financial liabilities at amortised cost US\$'000
Trade payables	88,624
Financial liabilities included in other payables and accruals	42,831
Lease liabilities	21,285
Interest-bearing bank borrowings	7,714
	160,454

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 2022 US\$'000 (Unaudited)	31 December 2021 US\$'000 (Audited)	30 June 2022 US\$'000 (Unaudited)	31 December 2021 US\$'000 (Audited)
Financial assets				
Financial assets at fair value through profit or loss	10,048	10,063	10,048	10,063
Pledged deposits	5,468	5,467	5,049	5,048
	15,516	15,530	15,097	15,111
Financial liabilities				
Interest-bearing bank borrowings (note 14)	7,408	7,714	7,310	7,329

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 pledged deposits and 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 2022 was assessed to be insignificant.

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

The fair values of unlisted preferred shares have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. Below is a summary of significant unobservable input to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2022:

	Valuation technique	Significant unobservable input	Sensitivity of fair value to the input
Unlisted preferred shares	Market-based approach	IPO probability	5% (31 December 2021: 10%) increase/decrease in IPO probability would result in decrease/increase in fair value by US\$283,000 (31 December 2021: US\$276,000)

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

Fair value hierarchy

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

Assets measured at fair value:

	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	
As at 30 June 2022 (Unaudited)				
Financial assets at fair value through profit or loss	48	–	10,000	10,048
As at 31 December 2021 (Audited)				
Financial assets at fair value through profit or loss	63	–	10,000	10,063

There were no movements in fair value measurements within Level 3 during the six months ended 30 June 2022 and 2021.

Liabilities for which fair values are disclosed:

	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	
As at 30 June 2022 (Unaudited)				
Interest-bearing bank borrowings	–	7,310	–	7,310
As at 31 December 2021 (Audited)				
Interest-bearing bank borrowings	–	7,329	–	7,329

The Group did not have any financial liabilities measured at fair value as at 30 June 2022 and 31 December 2021.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2021: Nil).

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 18 August 2022.

DISCLOSURE OF INTERESTS

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

As at 30 June 2022, 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	Personal Interest	Number of Shares		Number of Underlying Shares	Total	Approximate Percentage of Shareholding (Note 1)
			Spouse Interest	Corporate Interest			
Bolliger Peter	Beneficial owner	150,000	-	-	-	150,000	0.02%
Chan Fu Keung	Beneficial owner	50,000	-	-	-	50,000	0.01%
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	-	-	5,658,250 (Note 3)	7,441,750	0.94%
Chiang Yi-Min, Harvey*	Beneficial owner	-	2,753,149	-	3,214,500 (Note 4)	5,967,649	0.75%
Gillman Christopher Charles*	Beneficial owner	-	-	-	1,579,500 (Note 5)	1,579,500	0.20%

* appointed as Executive Director with effect from 17 March 2022

Notes:

1. The percentage represents the number of shares involved divided by the number of the Company's issued shares as at 30 June 2022 (i.e. 793,978,500 ordinary shares).
2. 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.
3. These interests are share options (as described under the sections headed "The 2007 Scheme" and "The 2017 Scheme" in the section headed "Other Information" below), out of which 2,525,250 share options were vested but not yet exercised.
4. These interests are share options (as described under the sections headed "The 2007 Scheme" and "The 2017 Scheme" in the section headed "Other Information" below), out of which 761,500 share options were vested but not yet exercised.
5. These interests are share options (as described under the sections headed "The 2017 Scheme" in the section headed "Other Information" below), out of which 376,500 share options were vested but not yet exercised.

Save as disclosed above, as at 30 June 2022, 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 2022, 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	173,508,593	21.85%
Chiang Jeh-Chung, Jack	Beneficial owner	42,057,418	5.29%

Note:

The percentage represents the number of shares involved divided by the number of the Company's issued shares as at 30 June 2022 (i.e. 793,978,500 ordinary shares).

Save as disclosed above, as at 30 June 2022, 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

Compliance with Corporate Governance Code

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 2022. Further information on the Company’s corporate governance practices is set out in the corporate governance report in the Company’s 2021 annual report, which is available on the Company’s website.

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 2022.

OTHER INFORMATION

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”). 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, i.e. 18 March 2022 (“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.

Out of these 27,970,000 Options, 3,417,500 Options were granted to Chi Lo-Jen, an executive director of the Company, 270,000 Options were granted to Chiang Yi-Min, Harvey, a current executive director of the Company who was an employee of the Group as at the Date of Grant, an aggregate of 22,757,500 Options were granted to the employees and an aggregate of 1,525,000 Options were granted to consultants providing consultancy services to the Group.

During the period under review, a total 168,500 Options lapsed. As at 30 June 2022, 9,788,750 Options were outstanding. Details are set out as below:

Category of participants	Outstanding as at 1 January 2022	Date of grant	Vesting date	Exercise period	Exercise price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2022
Directors									
Chi Lo-Jen	341,750	17 March 2017	2019 Vesting Date	2019 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	341,750
	683,500	17 March 2017	2020 Vesting Date	2020 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	683,500
	683,500	17 March 2017	2022 Vesting Date	2022 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	683,500
Chiang Yi-Min, Harvey	27,000	17 March 2017	2019 Vesting Date	2019 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	27,000
	54,000	17 March 2017	2020 Vesting Date	2020 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	54,000
	54,000	17 March 2017	2022 Vesting Date	2022 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	54,000
	<u>1,843,750</u>					<u>-</u>	<u>-</u>	<u>-</u>	<u>1,843,750</u>
Employees									
	1,336,250	17 March 2017	2019 Vesting Date	2019 Vesting Date to 16 March 2023	HK\$11.48	-	-	(19,500)	1,316,750
	3,291,750	17 March 2017	2020 Vesting Date	2020 Vesting Date to 16 March 2023	HK\$11.48	-	-	(87,000)	3,204,750
	3,283,000	17 March 2017	2022 Vesting Date	2022 Vesting Date to 16 March 2023	HK\$11.48	-	-	(62,000)	3,221,000
	<u>7,911,000</u>					<u>-</u>	<u>-</u>	<u>(168,500)</u>	<u>7,742,500</u>
Consultants providing consultancy services to the Group									
	20,500	17 March 2017	2019 Vesting Date	2019 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	20,500
	91,000	17 March 2017	2020 Vesting Date	2020 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	91,000
	91,000	17 March 2017	2022 Vesting Date	2022 Vesting Date to 16 March 2023	HK\$11.48	-	-	-	91,000
	<u>202,500</u>					<u>-</u>	<u>-</u>	<u>-</u>	<u>202,500</u>

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 2022, the Trustee maintained a pool of 1,778,000 shares (the “Entrusted Shares”) (31 December 2021: 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.

As the 2007 Scheme had expired on 5 July 2017, no further options to subscribe for Shares, awards of Shares, or grants of Restricted Unit Awards may be granted or made under the 2007 Scheme from that date onwards, and no share options had been granted under the 2007 Scheme during the period under review. As at the date of this interim report, 9,483,500 share options were outstanding under the 2007 Scheme. Accordingly, as at the date of this interim report, the number of Shares available for issue under the 2007 Scheme was 9,483,500 Shares, representing approximately 1.2% of the issued Shares.

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 2017 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 options 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. 238,193,550 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.

As at the date of this interim report, 59,298,000 options have been granted under the 2017 Scheme, of which a total of 5,315,500 options have lapsed. The total number of Shares which could be allotted and issued upon exercise of the options that remain available to be granted under the existing General Scheme Limit is 25,455,450 Shares.

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.

During the period under review, a total of 19,740,000 share options were granted and a total of 2,906,500 share options lapsed under the 2017 scheme. As at 30 June 2022, 53,082,500 share options were outstanding.

On 15 April 2020, 26 November 2020, 19 March 2021 and 3 January 2022, a total of 2,700,000 share options (the “April 2020 Share Options”), a total of 17,163,000 share options (the “November 2020 Share Options”), a total of 19,695,000 share options (the “March 2021 Share Options”) and a total of 19,740,000 share options (the “January 2022 Share Options”) were granted, respectively under the 2017 Scheme.

Details of the share options under the 2017 Scheme during the period were as follows:–

April 2020 Share Options (date of grant: 15 April 2020) (Note 1)

Category of participants	Outstanding as at 1 January 2022	Granted during the period	Vesting date	Exercise period	Exercise price	Exercised during the period (Note 2)	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2022
Employee	-	-	2021 Vesting Date	2021 Vesting Date (Note 3) to 5 July 2027	HK\$8.71	-	-	-	-
	900,000	-	2022 Vesting Date	2022 Vesting Date (Note 4) to 5 July 2027	HK\$8.71	-	-	-	900,000
	900,000	-	2023 Vesting Date	2023 Vesting Date (Note 5) to 5 July 2027	HK\$8.71	-	-	-	900,000
	<u>1,800,000</u>	<u>-</u>				<u>-</u>	<u>-</u>	<u>-</u>	<u>1,800,000</u>

Notes:

- The closing price of the Shares on 14 April 2020, the trading day immediately before the date on which the April 2020 Share Options were granted, was HK\$8.60 per Share. The April 2020 Share Options were granted after the market closed on 15 April 2020 on which the closing price was HK\$8.71.
- In relation to the April 2020 Share Options exercised during the year, the closing price of the Shares on 10 September 2021, the trading day immediately before the date on which such share options were exercised (i.e. 13 September 2021) was HK\$10.3 per Share.
- 2021 Vesting Date refers to the business day immediately following the date of publication of the results announcement of the Company for the financial year ended 31 December 2020, i.e. 19 March 2021.
- 2022 Vesting Date refers to the business day immediately following the date of publication of the results announcement of the Company for the financial year ended 31 December 2021, i.e. 18 March 2022.
- 2023 Vesting Date refers to the business day immediately following the date of publication of the results announcement of the Company for the financial year ending 31 December 2022.

November 2020 Share Options (date of grant: 26 November 2020) (Note 6)

Category of participants	Outstanding as at 1 January 2022	Granted during the period	Vesting date	Exercise period	Exercise price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2022
Directors									
Chi Lo-Jen	316,500	-	26 November 2021	26 November 2021 to 25 November 2030	HK\$9.15	-	-	-	316,500
	316,500	-	26 November 2022	26 November 2022 to 25 November 2030	HK\$9.15	-	-	-	316,500
	316,500	-	26 November 2023	26 November 2023 to 25 November 2030	HK\$9.15	-	-	-	316,500
Chiang Yi-Min, Harvey	226,500	-	26 November 2021	26 November 2021 to 25 November 2030	HK\$9.15	-	-	-	226,500
	226,500	-	26 November 2022	26 November 2022 to 25 November 2030	HK\$9.15	-	-	-	226,500
	226,500	-	26 November 2023	26 November 2023 to 25 November 2030	HK\$9.15	-	-	-	226,500
Gillman Christopher Charles	226,500	-	26 November 2021	26 November 2021 to 25 November 2030	HK\$9.15	-	-	-	226,500
	226,500	-	26 November 2022	26 November 2022 to 25 November 2030	HK\$9.15	-	-	-	226,500
	226,500	-	26 November 2023	26 November 2023 to 25 November 2030	HK\$9.15	-	-	-	226,500
	<u>2,308,500</u>	-				-	-	-	<u>2,308,500</u>
Employees									
	4,418,500	-	26 November 2021	26 November 2021 to 25 November 2030	HK\$9.15	-	-	(33,500)	4,385,000
	4,418,500	-	26 November 2022	26 November 2022 to 25 November 2030	HK\$9.15	-	-	(396,500)	4,022,000
	4,418,500	-	26 November 2023	26 November 2023 to 25 November 2030	HK\$9.15	-	-	(396,500)	4,022,000
	<u>13,255,500</u>	-				-	-	(826,500)	<u>12,429,000</u>

Note:

6. The closing price of the Shares on 25 November 2020, the trading day immediately before the date on which the November 2020 Share Options were granted, was HK\$9.21 per Share. The November 2020 Share Options were granted after the market closed on 26 November 2020 on which the closing price was HK\$9.15.

March 2021 Share Options (date of grant: 19 March 2021) (Note 7)

Category of participants	Outstanding as at 1 January 2022	Granted during the period	Vesting date	Exercise period	Exercise price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2022
Directors									
Chi Lo-Jen	500,000	-	19 March 2022	19 March 2022 to 18 March 2031	HK\$9.46	-	-	-	500,000
	500,000	-	19 March 2023	19 March 2023 to 18 March 2031	HK\$9.46	-	-	-	500,000
	500,000	-	19 March 2024	19 March 2024 to 18 March 2031	HK\$9.46	-	-	-	500,000
Chiang Yi-Min, Harvey	400,000	-	19 March 2022	19 March 2022 to 18 March 2031	HK\$9.46	-	-	-	400,000
	400,000	-	19 March 2023	19 March 2023 to 18 March 2031	HK\$9.46	-	-	-	400,000
	400,000	-	19 March 2024	19 March 2024 to 18 March 2031	HK\$9.46	-	-	-	400,000
Gillman Christopher Charles	150,000	-	19 March 2022	19 March 2022 to 18 March 2031	HK\$9.46	-	-	-	150,000
	150,000	-	19 March 2023	19 March 2023 to 18 March 2031	HK\$9.46	-	-	-	150,000
	150,000	-	19 March 2024	19 March 2024 to 18 March 2031	HK\$9.46	-	-	-	150,000
	<u>3,150,000</u>	<u>-</u>				<u>-</u>	<u>-</u>	<u>-</u>	<u>3,150,000</u>
Employees									
	5,245,000	-	19 March 2022	19 March 2022 to 18 March 2031	HK\$9.46	-	-	(20,000)	5,225,000
	5,245,000	-	19 March 2023	19 March 2023 to 18 March 2031	HK\$9.46	-	-	(475,000)	4,770,000
	5,245,000	-	19 March 2024	19 March 2024 to 18 March 2031	HK\$9.46	-	-	(475,000)	4,770,000
	<u>15,735,000</u>	<u>-</u>				<u>-</u>	<u>-</u>	<u>(970,000)</u>	<u>14,765,000</u>

Note:

- The closing price of the Shares on 18 March 2021, the trading day immediately before the date on which the March 2021 Share Options were granted, was HK\$9.54 per Share. The March 2021 Share Options were granted after the market closed on 19 March 2021 on which the closing price was HK\$9.46.

January 2022 Share Options (date of grant: 3 January 2022) (Note 8)

Category of participants	Outstanding as at 1 January 2022	Granted during the period	Vesting date	Exercise period	Exercise price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2022
Directors									
Chi Lo-Jen	-	500,000	3 January 2023	3 January 2023 to 2 January 2032	HK\$9.10	-	-	-	500,000
	-	500,000	3 January 2024	3 January 2024 to 2 January 2032	HK\$9.10	-	-	-	500,000
	-	500,000	3 January 2025	3 January 2025 to 2 January 2032	HK\$9.10	-	-	-	500,000
Chiang Yi-Min, Harvey	-	400,000	3 January 2023	3 January 2023 to 2 January 2032	HK\$9.10	-	-	-	400,000
	-	400,000	3 January 2024	3 January 2024 to 2 January 2032	HK\$9.10	-	-	-	400,000
	-	400,000	3 January 2025	3 January 2025 to 2 January 2032	HK\$9.10	-	-	-	400,000
Gillman Christopher Charles	-	150,000	3 January 2023	3 January 2023 to 2 January 2032	HK\$9.10	-	-	-	150,000
	-	150,000	3 January 2024	3 January 2024 to 2 January 2032	HK\$9.10	-	-	-	150,000
	-	150,000	3 January 2025	3 January 2025 to 2 January 2032	HK\$9.10	-	-	-	150,000
	-	3,150,000				-	-	-	3,150,000
Employees									
	-	5,515,000	3 January 2023	3 January 2023 to 2 January 2032	HK\$9.10	-	-	(370,000)	5,145,000
	-	5,515,000	3 January 2024	3 January 2024 to 2 January 2032	HK\$9.10	-	-	(370,000)	5,145,000
	-	5,515,000	3 January 2025	3 January 2025 to 2 January 2032	HK\$9.10	-	-	(370,000)	5,145,000
	-	16,545,000				-	-	(1,110,000)	15,435,000
Consultant providing consultancy services to the Group (Note 9)									
	-	15,000	3 January 2023	3 January 2023 to 2 January 2032	HK\$9.10	-	-	-	15,000
	-	15,000	3 January 2024	3 January 2024 to 2 January 2032	HK\$9.10	-	-	-	15,000
	-	15,000	3 January 2025	3 January 2025 to 2 January 2032	HK\$9.10	-	-	-	15,000
	-	45,000				-	-	-	45,000

Notes:

- The closing price of the Shares on 31 December 2021, the trading day immediately before the date on which the January 2022 Share Options were granted, was HK\$9.43 per Share. The January 2022 Share Options were granted after the market closed on 3 January 2022 on which the closing price was HK\$9.10.
- This represents a consultant of the Group, who is a third party independent of the Company and its connected persons (as defined in the Listing Rules) engaged to provide logistics support consultancy services to the Group. These share options were granted to the consultant in consideration of the contribution the consultant had made to the Group's business operations. The grant of the share options to the consultant constitutes rewards for the services rendered and will furnish the consultant with a personal stake in the Company, which the Directors believe will serve to achieve retention purpose and incentivise the consultant to contribute further to the development and growth of the Group for the benefit of the Shareholders.

All share options

Category of participants	Outstanding as at 1 January 2022	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2022
Directors						
Chi Lo-Jen	2,449,500	1,500,000	–	–	–	3,949,500
Chiang Yi-Min, Harvey	1,879,500	1,200,000	–	–	–	3,079,500
Gillman Christopher Charles	1,129,500	450,000	–	–	–	1,579,500
Employees	30,790,500	16,545,000	–	–	(2,906,500)	44,429,000
Consultant providing consultancy services to the Group	–	45,000	–	–	–	45,000
	36,249,000	19,740,000	–	–	(2,906,500)	53,082,500

Pursuant to the terms of the 2017 Scheme, the total number of Shares which may be issued upon exercise of all share options (excluding, for this purpose, shares options which have lapsed in accordance with the terms of the 2017 Scheme and any other share option scheme of the Group) 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 number of Shares in issue as at the date of approval of the 2017 Scheme, i.e. 19 May 2017. After deducting the number of share options granted under the 2017 Scheme that had already been exercised or cancelled (if any), as at the date of this interim report, the number of Shares available for issue under the 2017 Scheme was 78,537,950 Shares, representing approximately 9.9% of the issued Shares.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the reporting period.

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

Hong Kong, 18 August 2022

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

CHEN Li-Ming, Lawrence, *Chairman*
CHI Lo-Jen, *Chief Executive Officer*
GILLMAN Charles Christopher
(appointed with effect from 17 March 2022)
CHIANG Yi-Min, Harvey
(appointed with effect from 17 March 2022)

Non-executive Directors

CHIANG Jeh-Chung, Jack (retired on 12 May 2022)
CHAO Ming-Cheng, Eric (retired on 12 May 2022)

Independent Non-Executive Directors

CHEN Johnny
BOLLIGER Peter
CHAN Fu Keung, William, *BBS*
YUE Chao-Tang, Thomas
SHI Nan Sun
LIAN Jie (ceased to be a director on 28 March 2022)

AUDIT COMMITTEE

YUE Chao-Tang, Thomas, *Chairman*
CHEN Johnny
CHAN Fu Keung, William, *BBS*
LIAN Jie (ceased to be a director on 28 March 2022)

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
GILLMAN Charles Christopher
(appointed with effect from 17 March 2022)
CHIANG Yi-Min, Harvey
(appointed with effect from 17 March 2022)

NOMINATION COMMITTEE

CHEN Johnny, *Chairman*
BOLLIGER Peter
CHAN Fu Keung, William, *BBS*
YUE Chao-Tang, Thomas
SHI Nan Sun
LIAN Jie (ceased to be a director on 28 March 2022)

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

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3, Building D
P.O. Box 1586, Gardenia Court, Camana Bay
Grand Cayman, KY1-1100
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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www.stella.com.hk

This Interim Report is printed on environmentally friendly paper from sustainably managed forests and controlled sources



Stella International Holdings Limited
九興控股有限公司*

Incorporated in the Cayman Islands with limited liability
於開曼群島註冊成立之有限公司

** for identification purpose only*