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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1836)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

Highlights:

– Strong demand for premium product styles from Luxury, Fashion and Sports customers

– ASP increased by 6.5% and gross margin expanded by 3.3 percentage points to 23.1%

– Increased production efficiency expanded operating profit[1] margin to 9.0% (1H22: 8.3%)

– Adjusted net profit[2] margin increased to 8.4%, compared to 7.3% in the first half of 2022

– Capacity expansion fully funded with strong net cash position of US$162.5 million

– Declared interim dividend of HK42 cents per share (70% payout ratio[3])

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

[2] *Adjusted net profit represents the profit for the period, excluding net fair value loss of US$5.1 million related to the Group's investment in Lanvin Group*

[3] *70% payout ratio is calculated based on adjusted net profit*

* *For identification purpose only*

The board (the "Board") of directors (the "Directors") of Stella International Holdings Limited ("Stella" or the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group" or "we") for the six months ended 30 June 2023 (the "period under review"), together with the comparative figures for the corresponding period in 2022 as follows:

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

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Notes	***US$'000***	*US$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**716,086**	827,193
Cost of sales		**(550,326)**	(663,279)
Gross profit		**165,760**	163,914
Other income		**3,882**	6,596
Other gains and losses, net		**1,989**	(4,864)
Selling and distribution expenses		**(20,436)**	(21,068)
Administrative expenses		**(74,015)**	(75,285)
Impairment losses of financial assets, net		**(17,015)**	(2,005)
Share of profit of a joint venture		**4,624**	1,284
Operating profit before changes in fair value of financial instruments		**64,789**	68,572
Net fair value loss on financial instruments		**(5,100)**	(15)
Operating profit after changes in fair value of financial instruments		**59,689**	68,557
Interest income		**4,268**	345
Interest expense		**(504)**	(462)
PROFIT BEFORE TAX	*5*	**63,453**	68,440
Income tax expense	*6*	**(8,226)**	(8,213)
PROFIT FOR THE PERIOD		**55,227**	60,227

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

For the six months ended 30 June 2023

	Note	Six months ended 30 June **2023** *US$'000* **(Unaudited)**	2022 *US$'000* (Unaudited)
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(2,578)**	(9,275)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(2,578)**	(9,275)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**52,649**	50,952
Profit/(loss) attributable to:			
Owners of the parent		**55,718**	60,547
Non-controlling interests		**(491)**	(320)
		55,227	60,227
Total comprehensive income/(loss) attributable to:			
Owners of the parent		**53,138**	51,285
Non-controlling interests		**(489)**	(333)
		52,649	50,952
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
– Basic (in US cents)		**7.0**	7.6
(equivalent to HK cents)		**55.1**	59.8
– Diluted (in US cents)		**7.0**	7.6
(equivalent to HK cents)		**55.1**	59.8

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Notes	**30 June 2023** *US$'000* **(Unaudited)**	31 December 2022 *US$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**374,346**	379,098
Investment properties		**2,761**	3,265
Right-of-use assets		**75,967**	79,684
Investment in a joint venture		**47,073**	42,449
Investments in associates		**524**	524
Financial assets at fair value through profit or loss	*11*	**5,667**	10,723
Deposits for acquisition of property, plant and equipment and leasehold land		**11,213**	16,367
Total non-current assets		**517,551**	532,110
CURRENT ASSETS			
Inventories		**195,739**	188,752
Trade receivables	*10*	**319,303**	264,532
Prepayments, deposits and other receivables		**57,472**	53,843
Financial assets at fair value through profit or loss	*11*	**4,013**	59
Pledged deposits		**5,560**	5,484
Cash and cash equivalents		**173,519**	213,303
Total current assets		**755,606**	725,973
CURRENT LIABILITIES			
Trade payables		**80,944**	66,463
Other payables and accruals		**92,148**	107,785
Interest-bearing bank borrowings		**8,944**	5,117
Lease liabilities		**4,059**	4,337
Tax payable		**41,068**	36,167
Total current liabilities		**227,163**	219,869
NET CURRENT ASSETS		**528,443**	506,104
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,045,994**	1,038,214

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2023

	30 June 2023	31 December 2022
	US$'000	*US$'000*
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**2,028**	2,110
Lease liabilities	**9,196**	10,602
Deferred tax liabilities	**9,553**	9,553
Total non-current liabilities	**20,777**	22,265
Net assets	**1,025,217**	1,015,949
EQUITY		
Equity attributable to owners of the parent		
Share capital	**10,155**	10,155
Share premium and reserves	**998,463**	988,706
	1,008,618	998,861
Non-controlling interests	**16,599**	17,088
Total equity	**1,025,217**	1,015,949

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Notes	***US$'000***	*US$'000*
		(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**63,453**	68,440
Depreciation of property, plant and equipment	*5*	**22,483**	23,580
Depreciation of investment properties	*5*	**391**	440
Depreciation of right-of-use assets	*5*	**4,014**	6,284
Impairment losses of financial assets, net	*5*	**17,015**	2,005
Other adjustments		**(3,771)**	7,956
Operating profit before changes in working capital		**103,585**	108,705
Changes in working capital		**(72,060)**	(72,114)
Other operating cash flows		**(3,279)**	(3,058)
Net cash flows from operating activities		**28,246**	33,533
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**4,268**	345
Purchases of items of property, plant and equipment		**(22,803)**	(24,854)
Deposit paid for acquisition of items of property, plant and equipment		**(40)**	(7,339)
Proceeds from disposal of property, plant and equipment		**205**	248
Purchase of derivative financial instruments		**(3,998)**	–
Placement of pledged bank deposits		**(76)**	–
Net cash flows used in investing activities		**(22,444)**	(31,600)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**30,619**	55,989
Repayment of bank loans		**(26,850)**	(56,113)
Dividends paid		**(45,590)**	(56,646)
Interest paid		**(208)**	(462)
Principal portion of lease payments		**(2,293)**	(3,969)
Net cash flows used in financing activities		**(44,322)**	(61,201)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(38,520)**	(59,268)
Cash and cash equivalents at beginning of period	**213,303**	135,170
Effect of foreign exchange rate changes, net	**(1,264)**	469
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**173,519**	76,371
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**179,079**	81,839
Less: Pledged bank deposits with original maturity of more than three months when acquired	**(5,560)**	(5,468)
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	**173,519**	76,371

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

1. BASIS OF PREPARATION

The interim condensed consolidated financial information has 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 does 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 2022.

This interim condensed consolidated financial information has 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. This unaudited interim condensed consolidated financial information is presented in the 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 this interim condensed consolidated financial information are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. The amendments did not have a significant impact on the Group's interim condensed consolidated financial information.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below: (Continued)

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments and the mandatory temporary exception retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

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 manufacturing of footwear and handbag
- the retailing and wholesaling segment engages in the sale of products 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 before tax except that interest income, fair value losses from the Group's financial instruments, share of profits/(losses) of a joint venture as well as unallocated corporate income, expenses, gains and losses are excluded from such measurement.

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 unallocated 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.

3. OPERATING SEGMENT INFORMATION (Continued)

Six months ended 30 June 2023 (Unaudited)

	Manufacturing *US$'000*	Retailing and wholesaling *US$'000*	Total *US$'000*
Segment revenue			
Sales to external customers	**713,376**	**2,710**	**716,086**
Intersegment sales	**1,673**	**–**	**1,673**
	715,049	**2,710**	**717,759**
Reconciliation:			
Elimination of intersegment sales			**(1,673)**
Revenue			**716,086**
Segment results	**67,962**	**(2,440)**	**65,522**
Reconciliation:			
Corporate and other unallocated income			**24**
Corporate and other unallocated expenses, gains and losses			**(5,381)**
Share of result of a joint venture			**4,624**
Operating profit before changes in fair value of financial instruments			**64,789**
Net fair value loss on financial instruments			**(5,100)**
Operating profit after changes in fair value of financial instruments			**59,689**
Interest income			**4,268**
Interest expense			**(504)**
Profit before tax			**63,453**

3. OPERATING SEGMENT INFORMATION (Continued)

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)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2023 and 31 December 2022, respectively.

	30 June 2023	31 December 2022
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Segment assets		
Manufacturing	**1,238,181**	1,209,631
Retailing and wholesaling	**25,266**	28,221
	1,263,447	1,237,852
Corporate and other unallocated assets	**9,710**	20,231
	1,273,157	1,258,083
Segment liabilities		
Manufacturing	**243,724**	237,843
Retailing and wholesaling	**298**	269
	244,022	238,112
Corporate and other unallocated liabilities	**3,918**	4,022
	247,940	242,134

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**716,086**	827,193

4. REVENUE (Continued)

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023 (Unaudited)

Segments

	Manufacturing *US$'000*	**Retailing and wholesaling** *US$'000*	**Total** *US$'000*
Types of goods			
Sales of footwear and handbag	**713,376**	**2,710**	**716,086**
Geographical markets			
The People's Republic of China (the "PRC")	**112,755**	**1,881**	**114,636**
Asia (other than the PRC)	**65,987**	**–**	**65,987**
Europe	**195,163**	**829**	**195,992**
North America	**314,567**	**–**	**314,567**
Others	**24,904**	**–**	**24,904**
Total revenue from contracts with customers	**713,376**	**2,710**	**716,086**
Timing of revenue recognition			
Goods transferred at a point in time	**713,376**	**2,710**	**716,086**

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			
The PRC	105,874	4,442	110,316
Asia (other than the PRC)	68,071	–	68,071
Europe	196,416	1,243	197,659
North America	429,073	–	429,073
Others	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

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**546,018**	662,696
Depreciation of property, plant and equipment	**22,483**	23,580
Depreciation of investment properties	**391**	440
Depreciation of right-of-use assets	**4,014**	6,284
Net fair value loss on financial assets at fair value through profit or loss	**5,100**	15
Severance payments and other related costs	**1,358**	854
Government subsidies related to COVID-19	**–**	(6)
Impairment losses of financial assets, net#	**17,015**	2,005
Write-down of inventories, net	**4,308**	583
Bank interest income	**(4,016)**	(168)
Interest income from financial assets at fair value through profit or loss	**(252)**	(177)
Write-off of property, plant and equipment	**–**	5,142
Loss/(gain) on disposal of items of property, plant and equipment	**671**	(73)
Loss on work stoppage	**–**	1,948
Foreign exchange differences, net	**(2,711)**	(2,154)

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 2022: 25%) during the six months ended 30 June 2023.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2022: 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 (2022: 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 2022: 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	
	2023	2022
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Charge for the period:		
– PRC	**4,867**	5,386
– Macau	**2,428**	2,545
– Elsewhere	**931**	282
	8,226	8,213

7. DIVIDENDS

	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Final declared and paid – HK45 cents (six months ended 30 June 2022: 56 cents) per ordinary share	**45,590**	56,646

On 17 August 2023, the board of directors (the "Board") declared an interim dividend of HK42 cents per ordinary share, amounting to approximately US$42,573,000.

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 2023 attributable to ordinary equity holders of the parent of US$55,718,000 (six months ended 30 June 2022: US$60,547,000), and the weighted average number of ordinary shares, excluding a pool of shares maintained by a trustee, of 792,200,500 (six months ended 30 June 2022: 792,200,500) in issue during the period.

During the six months ended 30 June 2023, 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 in issue during the period, as used in the calculation is the number of ordinary shares 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 share options granted to directors, employees and consultants had no dilutive effect during the six months ended 30 June 2022 because the exercise price of the share options granted was higher than the average market price of the Company's shares during that period.

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

	Six months ended 30 June	
	2023	2022
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**55,718**	60,547

	Number of shares	
	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**792,200,500**	792,200,500
Effect of dilution – weighted average number of ordinary shares:		
Share options	**287,722**	–
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**792,488,222**	792,200,500

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment of US$22,803,000 (six months ended 30 June 2022: US$24,854,000). In addition, the Group has disposed of and written off certain items of property, plant and equipment with an aggregate carrying amount of US$876,000 (six months ended 30 June 2022: US$5,317,000) for cash proceeds of US$205,000 (six months ended 30 June 2022: cash proceeds of US$248,000), resulting in an aggregate loss of US$671,000 (six months ended 30 June 2022: US$5,069,000).

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 2023	31 December 2022
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Within 1 month	**138,847**	111,235
1 to 2 months	**107,228**	72,686
2 to 3 months	**43,601**	44,763
3 to 6 months	**16,009**	20,857
6 to 12 months	**8,106**	9,049
Over 1 year	**5,512**	5,942
	319,303	264,532

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 gross trade receivables are amounts due from the Group's associates of US$37,272,000 (31 December 2022: US$37,274,000), with provision of expected credit losses amounting to US$24,913,000 (31 December 2022: US$23,928,000), 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

	Notes	**30 June 2023** ***US$'000*** **(Unaudited)**	31 December 2022 *US$'000* (Audited)
Listed equity investments, at fair value	*(a)*	**5,667**	10,723
Listed debt investments, at fair value	*(b)*	**15**	59
Currency-linked contracts, at fair value	*(c)*	**3,998**	–
		9,680	10,782
Non-current assets		**5,667**	10,723
Current assets		**4,013**	59
		9,680	10,782

Notes:

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

On 8 December 2022, the Group subscribed 300,000 shares of unlisted Company B which was incorporated in the Cayman Islands at a consideration of US$3,000,000.

On 14 December 2022, unlisted Company A has completed the business combination with unlisted Company B. Upon the completion of the business combination, Company B became the holding company of Company A, and the 3,252,561 series B preferred shares had been converted into 875,790 shares of Company B. On 15 December 2022, Company B was listed on the New York Stock Exchange ("NYSE").

As at 30 June 2023, the Group holds 1,175,790 (31 December 2022: 1,175,790) shares of Company B, which was listed on the NYSE.

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. During the six months ended 30 June 2023, fair value loss of US$5,056,000 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. During the six months ended 30 June 2023, fair value loss of US$44,000 (six months ended 30 June 2022: US$15,000) was recognised in profit or loss.

(c) During the period, the Group had deposits of US$3,998,000 with interest rate of 8.6%-10.2% per annum and linked with RMB currency at strike rate on determined dates, which are embedded derivative, but not designated for hedge purposes, and thus, the deposits are measured at fair value through profit or loss.

CHAIRMAN STATEMENT

Dear shareholders,

In the first half of 2023, we already saw some positive impact from the execution of our Three Year Plan (2023-2025) (the "Three Year Plan").

A key part of this strategy is the enhancement of our category mix, including partnering with more Luxury and high-end Fashion brands to introduce sports and athleisure footwear lines into their portfolio. We are doing this by leveraging on the tremendous success we have had with working with major global sporting brands to lead innovation in the athleisure and luxury-priced footwear categories.

This approach is proving prescient this year. Despite softer global consumption, led by persistent inflation and the rising cost of living in major Western markets, Luxury and high-end Fashion brands are outperforming the wider footwear markets with their customers demanding more premium and complicated products and styles.

In line with our growth strategies, we are seeing a more pronounced contribution from the Luxury and high-end Fashion brands that we have been adding over the past two years into our customer portfolio. Furthermore, our Sports, Luxury and high-end Fashion customers are demanding more premium product styles. Both of these trends led to a rise in average selling price ("ASP") of our products in the first half of the year, helping offset lower shipment volumes. At the same time, through production improvements and productivity gains, our gross profit margin expanded by 3.3 percentage points to 23.1%.

We are confidently moving forward with other parts of our Three-Year Plan. We continue to ramp up our new factory in Solo, Indonesia, while responsibly moving ahead with other capacity expansion projects at a pace that matches demand.

We are also making good progress in enhancing our operational management including digitalisation, while taking more steps to strengthen cost efficiency and working capital. Each of these efforts also ensured our operating margin expanded at a healthy clip, increasing by 0.7 percentage points to 9.0%. We are well on track towards achieving an operating margin of 10% and a low-teens annualised growth rate on profit after tax by the end of 2025, as stated in our Three-Year Plan.

Heading into the second half of 2023, we expect many of the above trends to remain in place. As we continue to adhere to our strategies, we expect to see a modest increase in full-year ASP amid healthy gross profit and operating margin levels.

As such, we are pleased to be returning profit to our shareholders. As per 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.

On behalf of the Board, I would like to express my sincere thanks to our customers, business partners, employees and shareholders for their valued support in the first half of this year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the interim results of the Group for the six months ended 30 June 2023.

BUSINESS STRATEGIES

Stella is widely known within the footwear industry for its unparalleled product design and commercialisation capabilities, ‘artisan level’ craftsmanship, uncompromising commitment to quality, speed-to-market, and small-batch production flexibility, supported by a broad, diverse, and proven manufacturing base located in Vietnam, China, Indonesia, Philippines and Bangladesh. It provides customers with an all-rounded skillset, integrated and accumulated from a broad product base spanning Luxury, high-end Fashion, athleisure and outdoor Sports footwear.

We have adopted a margin-accretive business model within our footwear manufacturing business by being highly responsive to growth opportunities in the footwear market, particularly those arising from the booming ‘athleisure’ trend being led by major Sports brands and into which more and more Luxury and Fashion brands are seeking to enter.

We are also seeking ways in which to apply the same business model in similar business streams that synergise well with the client base of our manufacturing business. In late 2021, we incorporated our earlier acquired handbag and accessories manufacturing business into the Company as we aim to become a total solutions provider for our premium customers.

Three-Year Plan (2023-2025)

As part of our long-term strategy, we have embarked on a Three-Year Plan with a focus on growth and margin expansion listed below:

Enhance our category mix to better align with our unique strengths and capabilities, including:

– Further deepening our relationships with major global sports brands, leveraging our capabilities in product development in differentiated and complex products to support and grow with them as they continue to expand and lead innovation in the athleisure and luxury-priced footwear categories

– Partner with additional Luxury and high-end Fashion brands that are seeking to introduce sports and athleisure into their collections, with Stella being a close collaborator at every stage including design, commercialisation and manufacturing

– Add more well-established but fast-growing boutique Sports and Fashion footwear brands that are leading athleisure fashion trends to our customer portfolio

Expand and diversify our manufacturing capacity to protect our cost base, including:

– Ramping up our new footwear factory in Solo, Indonesia that commenced production in 2022

– Announcing plans, together with a major brand partner, to jointly develop an exclusive Sports footwear factory in Indonesia

– Committing to increasing our production capacity in Bangladesh, starting in 2023

Optimise our management effectiveness and efficiency, including:

– Re-organising our organisational structure, centralising our account management teams to provide better customer service and refocusing our factory operational teams on day-to-day manufacturing excellence

– Combining our research and development teams to enhance our design and commercialisation capabilities, and better serve our customers

– Aligning manager incentive schemes with transparent short-term and long-term operational targets

Strengthen cost efficiency and improve working capital including:

– Enhancing our customer portfolio to reduce our overall risk

– Improving our inventory and cash flow management

– Further strengthening cost controls across divisions

Targets for Three-Year Plan

– Operating margin: 10%

– Profit After Tax CAGR: Low-Teens

BUSINESS REVIEW

In the first half of 2023, our growth strategies, as encompassed in our Three-Year Plan, drove continued profitability improvement. Revenue and shipment volumes declined year-on-year, in line with our expectations, as a result of our efforts to reallocate our production capacity to more premium and capacity-consuming product styles. The new customers that we are adding in the Luxury and high-end Fashion are demanding more complicated products and styles. These new lines of products are increasing our ASP and making a contribution to our gross profit margin improvement.

At the same time, our relentless focus on process improvement and digitalisation is steadily reducing our cost base and improving our operating margin.

Our long-term capacity expansion and diversification initiatives remain on track with our new factory in Solo, Indonesia ramping up in line with demand. But in alignment with ongoing weak macroeconomic conditions, we continued to maintain tight cost controls and delayed some planned capacity expansion projects to better match the timing with future demand.

We continued to develop our handbag and accessories manufacturing business, integrating and standardising our production bases in Vietnam and the Philippines to meet 'European heritage brand' standards in terms of styles and product mix.

The key financial performance indicators of the Company include revenue, gross profit and operating profit. An analysis of these indicators during the six months ended 30 June 2023 are as below:

Revenue

The ASP of our footwear products increased by 6.5% to US$29.6 per pair during the period under review (first half of 2022: US$27.8 per pair), partially offsetting a 18.6% decrease in shipment volumes to 23.6 million pairs (first half of 2022: 29.0 million pairs). The increase in ASP was mostly driven by the declining share of lower ASP styles from the Casual category and a more pronounced contribution from customers of our Sports, Luxury and high-end Fashion categories which are introducing new athleisure lines and more premium products.

The Group's consolidated revenue for the six months ended 30 June 2023 decreased by 13.4% to US$716.1 million (first half of 2022: US$827.2 million).

In terms of product category, sales of our Sports category decreased by 12.4% which accounted for 42.9% of total manufacturing revenue (first half of 2022: 42.3%) as some Sports customers destocked during the period under review to manage inventory issues. Revenue attributed to our Luxury and Fashion categories decreased by 13.8% and 6.1% respectively, on a year-on-year basis, in line with our expectations, and accounted for 8.8% and 25.7% of total manufacturing revenue respectively (first half of 2022: 8.8% and 23.6%). Revenue attributed to our Casual category declined by 22.9%, accounting for 22.6% (first half of 2022: 25.3%) of total manufacturing revenue as we reallocated capacity to grow our other categories in line with our Three-Year Plan.

Geographically, North America and Europe remain our two largest markets, accounting for 43.9% and 27.4% of the total revenue of the Group during the period under review. This was followed by the People's Republic of China (the "PRC") (including Hong Kong), Asia (other than the PRC), and other geographic regions, which accounted for 16.0%, 9.2% and 3.5% respectively, of the total revenue of the Group during the period under review.

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) decreased by 52.6% to US$2.7 million during the period under review as we continued to consolidate our retail network in Europe in line with our decision to reposition the business to support the marketing of our core manufacturing business.

Gross profit

Our gross profit for the period under review increased by 1.2% to US$165.8 million, compared to US$163.9 million in the same period of last year. Our gross profit margin for the period under review was 23.1%, (first half of 2022: 19.8%), due to improved production efficiency and more premium product styles.

Operating profit

The reported operating profit[1] of the Group for the period under review decreased by 5.5% to US$64.8 million, compared to US$68.6 million in the same period of last year. The positive impact from improved customer mix, enhanced production efficiency and cost controls was offset by a US$16 million net provision[4] for outstanding accounts receivables of The Rockport Company, LLC ("Rockport"), which filed for Chapter 11 bankruptcy.

In addition, despite a decline in shipment volume in the Sports category, we lessened the financial impact by stepping up our focus on cost controls and labour efficiency at our factories dedicated to sports customers. The operating profit margin (before changes in fair value of financial instruments) of the Group for the period under review was 9.0%, compared to 8.3% in the first half of 2022.

Net results

Due to the factors outlined above, the Group recorded a net profit of US$55.2 million during the period under review, compared to US$60.2 million in the same period of last year. The net profit also included a marked-to-market net fair value loss of US$5.1 million on financial instruments related to its investment in Lanvin Group Holdings Limited ("Lanvin Group") now listed on the New York Stock Exchange.

Excluding the Group's net fair value change from its investment in Lanvin Group, the Group recorded an adjusted net profit[2] of US$60.3 million (first half of 2022: US$60.2 million). Our adjusted net profit[2] margin was 8.4%, compared to 7.3% in the first half of 2022.

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

2 Adjusted net profit represents the profit for the period, excluding net fair value loss of US$5.1 million related to the Group's investment in Lanvin Group.

4 Net provision represents the impairment loss arising from the outstanding trade receivables of US$24 million owed by Rockport and certain of its affiliates, who have each filed a voluntary petition (the "Voluntary Petition") in the United States Bankruptcy Court for the District of Delaware for relief under chapter 11 of the United States Bankruptcy Code, net of the insured amounts of the Group against the credit risk of its counterparties of approximately US$8 million. For details of the Voluntary Petition, please refer to the announcement of the Company dated 16 June 2023.

On 26 July 2023, the United States Bankruptcy Court for the District of Delaware approved the acquisition of Rockport by Authentic Brands Group.

Strong net cash position

Given the weaker economic and retail environment, we delayed some planned capacity expansion projects to better match the timing with future demand. Furthermore, we were very focused on managing our working capital usage. As a result of our delayed capital expenditure and dedicated efforts in managing working capital and cash flow, we posted a net cash position of US$162.5 million as at 30 June 2023, compared to a net cash position of US$69.0 million as at 30 June 2022. Therefore, the Group's net gearing ratio[5] was -15.9% as at 30 June 2023, compared to -6.8% as at 30 June 2022.

OUTLOOK

We expect to maintain our strong gross profit margin and operating margin levels as we continue to implement our Three-Year Plan, with orders from our newly-added Luxury and high-end Fashion customers continuing to grow from a small base, supporting the further enhancement of our product and customer mix.

We expect ASP for the full year to be similar to the ASP in the first half of 2023 as a result of a stronger sell-through to Sports, Luxury and High-end Fashion brands which are requesting more premium products with higher production complexities. Ongoing ASP and volume guidance will remain difficult to guide on a like-for-like basis compared to previous years as we continue to adjust and reshape our customer and product mix, especially as we continue to reallocate production capacity from the Casual category to the Luxury and high-end Fashion categories.

We expect our non-Sports manufacturing facilities will continue to operate at close to full utilisation in the second half of the year as we pursue greater operational efficiency and cost controls as part of our Three-Year Plan. While our overall order book will continue to be impacted by Sports customers' destocking inventory, we are seeing some signs of improvement toward the end of 2023.

We are committed to moving forward on our long-term capacity expansion projects. The ramp-up of our new manufacturing facility in Solo, Indonesia, remains on track and is performing well operationally while we are continuing to build additional facility capacity in Bangladesh. However, we are slowing down the progress of building a new manufacturing facility in Indonesia for our major Sports customer, reducing our planned capital expenditure for the year.

We will continue to develop our new handbag and accessories manufacturing business into another pillar of growth by continuing to enhance its product quality and production efficiency while introducing it to more of our high-end customer base.

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[5] Net gearing ratio = net debt/shareholder equity

We are well on track toward achieving strong and sustainable growth and margin under our Three-Year Plan, which will allow us to create ongoing value and higher returns for our shareholders.

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 2023, maintaining the Company's nominal payout ratio of about 70% set against its adjusted net profit[2] of US$60.3 million, which excludes the US$5.1 million fair value loss on the Lanvin Group investment.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2023, the Group had cash and cash equivalents of approximately US$173.5 million (31 December 2022: US$213.3 million; 30 June 2022: US$76.4 million), representing an increase of 127% compared to 30 June 2022.

In the six months ended 30 June 2023, net cash inflows from operations were US$28.2 million, compared to net cash inflows of US$33.5 million used in operations for the corresponding period of 2022.

Net cash outflows used in investing activities were US$22.4 million during the period under review (for the six months ended 30 June 2022: US$31.6 million), representing an decrease of 29.1%. Capital expenditure amounted to approximately US$22.8 million during the period under review (for the six months ended 30 June 2022: US$32.2 million).

As at 30 June 2023, the Group had current assets of approximately US$755.6 million (31 December 2022: US$726.0 million) and current liabilities of approximately US$227.2 million (31 December 2022: US$219.9 million). The current ratio (which is calculated on the basis of current assets over current liabilities) was 3.3 as at 30 June 2023 (31 December 2022: 3.3), an indication of the Group's high liquidity and healthy financial position.

BANK BORROWINGS

The Group had bank borrowings of US$11.0 million as at 30 June 2023 (31 December 2022: US$7.2 million).

The Group maintained a net cash position of US$162.5 million as at 30 June 2023 (31 December 2022: US$206.1 million; 30 June 2022; US$69.0 million). Therefore, the Group's net gearing ratio[5] was -15.9% as at 30 June 2023 compared to -6.8% as at 30 June 2022.

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2 Adjusted net profit excluded net fair value loss of US$5.1 million related to stake in Lanvin Group

5 Net gearing ratio = net debt/shareholder equity

FOREIGN CURRENCY EXPOSURE

During the six months ended 30 June 2023, 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 2023, the Group had pledged US$10.8 million of its assets (31 December 2022: US$10.8 million).

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no contingent liabilities (31 December 2022: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

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

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

EMPLOYEES

As at 30 June 2023, the Group had approximately 39,200 employees (31 December 2022: 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.

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 announcement.

REVIEW OF ACCOUNTS BY AUDIT COMMITTEE

The audit committee of the Board (the "Audit Committee") has reviewed the unaudited interim results of the Group, including the accounting treatment adopted by the Company for the six months ended 30 June 2023, with no disagreement. The Audit Committee has also discussed with the Company's management regarding risk management, internal control and other related matters.

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK42 cents per ordinary share for the six months ended 30 June 2023. The interim dividend will be paid to shareholders listed on the register of members of the Company at the close of business on 12 September 2023. It is expected that the interim dividend will be paid on or about 22 September 2023. The register of members of the Company will be closed from 8 September 2023 to 12 September 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend for the six months ended 30 June 2023, 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 7 September 2023.

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 contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2023. Further information on the Company's corporate governance practices is set out in the corporate governance report in the Company's 2022 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 with 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 2023.

SHARE AWARD PLAN

Reference is made to the annual report of the Company for the year ended 31 December 2022 published on 3 April 2023 (the "Annual Report 2022"). In relation to the share award plan adopted by the Company on 16 March 2017 (the "Plan"), further to the disclosures in the Annual Report 2022, the Board would like to provide Shareholders and potential investors with additional details as follows.

The purposes of the Plan are to, through awards of shares in the Company (each a "Share"), recognise and reward the contribution of eligible participants to the growth and development of the Group, give incentives to eligible participants in order to retain them for the continual operation and development of the Group, and attract suitable personnel for further development of the Group. Under the Plan, eligible participants to whom awards of Shares may be granted include, among others, any (a) employee (including executive Director) of, (b) non-executive director (including independent non-executive director) of, (c) supplier of goods or services to, (d) customer of, (e) person or entity providing design, research, development or other technological support to, (f) shareholder of or holder of any security issued by, and (g) 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 class 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. For the purposes of the Plan, awards of Shares may be granted to any company wholly owned by one or more of the above participants. Pursuant to the transitional arrangements prescribed by the Stock Exchange, with effect from 1 January 2023, among the classes of participants specified above, the Company may only grant share awards under the Plan to those participants who fall within the definition of "eligible participant" under Chapter 17 of the Listing Rules, including primarily directors and employees of the Company or any of its subsidiaries (including persons who are granted share awards under the Plan as an inducement to enter into employment contracts with these companies).

A trustee (the "Trustee") shall from time to time be appointed by the Company for the implementation of the Plan pursuant to and in accordance with the terms of the trust deed to be 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; (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.

After receiving contribution from the Group and other distributions and proceeds as referred to in the rules of the Plan, the Trustee may apply the same towards purchase of the maximum number of board lots of Shares at the prevailing market price (subject to such maximum price as may be from time to time prescribed by the Board). In the event that the Trustee effects any purchase by off-market transactions, such a purchase shall not be made with any connected person of the Company, nor shall the purchase price for such a purchase be higher than the lower of the following: (i) the closing market price on the date of such a purchase; and (ii) the average closing market price for the five preceding trading days on which the Shares were traded on the Stock Exchange.

Where any award of Shares is proposed to be satisfied by an allotment and issue of new Shares to the Trustee, such allotment and issue should only be made upon the Company having obtained a separate Shareholders' approval at general meeting to authorise the Directors to allot and issue such new Shares to the Trustee in accordance with the Plan and the Listing Rules, and the Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Shares which may be allotted and issued by the Company to the Trustee pursuant to the Plan. Since the adoption date of the Plan and up to the date of this announcement, no such separate approval has been sought from the Shareholders for the allotment and issue of new Shares to the Trustee. Accordingly, as at the date of the Annual Report 2022 and the date of this announcement, no new Share was or is available for issue under the Plan, and no award to be satisfied by allotment and issue of new Shares to the Trustee was or is available for grant 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 a financial year. Accordingly, as at 1 January 2022, 31 December 2022 and the date of this announcement, the number of Shares available to be awarded under the Plan was or is 19,849,462 Shares, based on the number of Shares in issue as at 1 January 2022 and 1 January 2023. The Board shall not instruct the Trustee to subscribe for and/or purchase any Shares for the purpose of the Plan when such a purchase and/or subscription will result in the above threshold being exceeded. No maximum entitlement of each participant is prescribed in the Plan.

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. Upon receipt of an award notice, the Trustee shall set aside such a number of Shares awarded from the Shares Pool and hold the same on trust pending the vesting of the same in the eligible participants to whom Shares have been awarded in accordance with the Plan (the "Selected Participant"). The Board may specify in the award notice, among others, (i) the earliest date on which the legal and beneficial ownership of the awarded Shares may be vested in the relevant Selected Participant and the corresponding vesting period, and (ii) the condition(s) or performance target(s), if any, to be attained by the relevant Selected Participant before the awarded Shares may be transferred to and vested in that Selected Participant. No specific requirement is prescribed in the Plan in relation to the vesting date or duration of the vesting period of awarded Shares, which may therefore be determined by the Board at its discretion. The Trustee shall transfer to and vest in the relevant Selected Participant the legal and beneficial ownership of the awarded Shares after the earliest vesting date as specified in the award notice or, where applicable, the date on which the condition(s) or performance target(s) (if any) as specified in the award notice have been attained by the Selected Participant, whichever is the later.

The Board shall notify the Selected Participant in writing after an award has been provisionally made to that Selected Participant, and the award shall be deemed to be irrevocably accepted by that Selected Participant unless that Selected Participant shall within five business days after receipt of the notice notify the Company in writing that he would decline to accept the award. No specific amount payable by the relevant Selected Participant on acceptance of an award granted under the Plan, or period within which such amount (if any) must be paid or calls may be made or loans for such purposes must be repaid, is specified in the Plan. No specific vesting period is prescribed in the Plan in relation to an award granted under the Plan.

The Plan became effective on 16 March 2017 and, unless otherwise terminated or amended, shall remain in force for 10 years from that date and expire on 15 March 2027.

Since the adoption date of the Plan and up to the date of this announcement, no award of shares had been granted under the Plan, and no trustee has been appointed for the purposes of the administration and implementation of 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 six months ended 30 June 2023.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.stella.com.hk). The interim report of the Group for the six months ended 30 June 2023 containing the required information under the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 17 August 2023

As at the date of this announcement, the executive Directors are Mr. Chen Li-Ming, Lawrence, Mr. Chi Lo-Jen, Mr. Gillman Charles Christopher and Mr. Chiang Yi-Min, Harvey; and the independent non-executive Directors are Mr. Bolliger Peter, Mr. Chan Fu Keung, William, BBS, Mr. Yue Chao-Tang, Thomas, Ms. Shi Nan Sun and Ms. Wan Sin Yee, Sindy.