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 2024

Highlights:

– Shipment volume increased by 12.3%, led by Sports category

– Revenue increased by 7.5% to US$770.0 million

– Further enhanced customer portfolio

– Gross profit margin expanded by 2.7 percentage points to 25.8%

– Reported operating profit margin increased to 12.9% from 9.0% same period last year

– #Adjusted net profit increased by 54.1% to US$92.9 million

– Strong net cash position reached US$326.1 million, compared to US$162.5 million as at 30 June 2023

– Declared interim dividend of HK65 cents per share, representing a dividend payout ratio of about 71.5% based on adjusted net profit

– Board resolves to return additional cash to shareholders of up to US$180 million in total for the next three years (2024-2026) through a combination of share repurchases and special dividends, on top of paying regular dividends with a payout ratio of 70%

Adjusted net profit excluded net fair value loss of US$1.4 million on financial instruments (related to Lanvin Group) (1H2023: US$5.1 million)

* *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 2024 (the "period under review"), together with the comparative figures for the corresponding period in 2023 as follows:

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

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	Notes	***US$'000***	*US$'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**770,011**	716,086
Cost of sales		**(571,128)**	(550,326)
Gross profit		**198,883**	165,760
Other income		**3,432**	3,882
Other gains and losses, net		**(194)**	1,989
Selling and distribution expenses		**(18,251)**	(20,436)
Administrative expenses		**(80,649)**	(74,015)
Impairment losses of financial assets, net		**(6,208)**	(17,015)
Share of profit of a joint venture		**2,039**	4,624
Operating profit before changes in fair value of financial instruments		**99,052**	64,789
Net fair value loss on financial instruments		**(1,369)**	(5,100)
Operating profit after changes in fair value of financial instruments		**97,683**	59,689
Interest income		**8,094**	4,268
Interest expense		**(384)**	(504)
PROFIT BEFORE TAX	*5*	**105,393**	63,453
Income tax expense	*6*	**(13,879)**	(8,226)
PROFIT FOR THE PERIOD		**91,514**	55,227

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

For the six months ended 30 June 2024

	Note	Six months ended 30 June **2024** *US$'000* (Unaudited)	2023 *US$'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		**(13,871)**	(2,578)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX		**(13,871)**	(2,578)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**77,643**	52,649
Profit attributable to:			
Owners of the parent		**91,944**	55,718
Non-controlling interests		**(430)**	(491)
		91,514	55,227
Total comprehensive income attributable to:			
Owners of the parent		**78,095**	53,138
Non-controlling interests		**(452)**	(489)
PROFIT BEFORE TAX		**77,643**	52,649
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
– Basic (in US cents)		**11.5**	7.0
(equivalent to HK cents)		**89.6**	55.1
– Diluted (in US cents)		**11.2**	7.0
(equivalent to HK cents)		**87.8**	55.1

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Notes	30 June 2024 US$'000 (Unaudited)	31 December 2023 US$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**372,871**	378,853
Investment properties		**2,008**	2,435
Right-of-use assets		**77,504**	80,081
Investment in a joint venture		**49,440**	47,401
Investments in associates		**–**	–
Financial assets at fair value through profit or loss	*11*	**2,105**	3,469
Pledged deposits		**5,716**	5,637
Deposits for acquisition of property, plant and equipment and leasehold land		**10,706**	14,298
Total non-current assets		**520,350**	532,174
CURRENT ASSETS			
Inventories		**201,980**	197,122
Trade receivables	*10*	**304,419**	277,820
Prepayments, deposits and other receivables		**43,775**	58,109
Financial assets at fair value through profit or loss	*11*	**–**	5
Cash and cash equivalents		**334,585**	294,471
Total current assets		**884,759**	827,527
CURRENT LIABILITIES			
Trade payables		**94,059**	82,756
Other payables and accruals		**125,966**	138,186
Interest-bearing bank borrowings		**3,378**	1,324
Lease liabilities		**3,195**	2,870
Tax payable		**45,977**	40,100
Total current liabilities		**272,575**	265,236
NET CURRENT ASSETS		**612,184**	562,291
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,132,534**	1,094,465

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2024

	30 June 2024	31 December 2023
	US$'000	*US$'000*
	(Unaudited)	(Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**5,122**	5,786
Lease liabilities	**4,478**	5,264
Deferred tax liabilities	**19,432**	15,951
Total non-current liabilities	**29,032**	27,001
Net assets	**1,103,502**	1,067,464
EQUITY		
Equity attributable to owners of the parent		
Share capital	**10,410**	10,171
Share premium and reserves	**1,077,285**	1,041,034
	1,087,695	1,051,205
Non-controlling interests	**15,807**	16,259
Total equity	**1,103,502**	1,067,464

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	Notes	***US$'000***	*US$'000*
		(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**105,393**	63,453
Interest income	*5*	**(8,094)**	(4,268)
Depreciation of property, plant and equipment	*5*	**23,668**	22,483
Depreciation of investment properties	*5*	**376**	391
Depreciation of right-of-use assets	*5*	**3,424**	4,014
Impairment losses of financial assets, net	*5*	**6,208**	17,015
Other adjustments		**(317)**	497
Operating profit before changes in working capital		**130,658**	103,585
Changes in working capital		**(26,996)**	(72,060)
Other operating cash flows		**(4,484)**	(3,279)
Net cash flows from operating activities		**99,178**	28,246
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**8,094**	4,268
Purchases of items of property, plant and equipment		**(23,696)**	(22,803)
Deposit paid for acquisition of items of property, plant and equipment		**(146)**	(40)
Proceeds from disposal of property, plant and equipment		**138**	205
Purchase of derivative financial instruments		**–**	(3,998)
Placement of pledged bank deposits		**(79)**	(76)
Net cash flows used in investing activities		**(15,689)**	(22,444)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**43,541**	30,619
Repayment of bank loans		**(42,035)**	(26,850)
Dividends paid		**(63,415)**	(45,590)
Interest paid		**(221)**	(208)
Principal portion of lease payments		**(1,599)**	(2,293)
Proceeds from issue of shares upon exercise of share options		**20,920**	–
Net cash flows used in financing activities		**(42,809)**	(44,322)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**40,680**	(38,520)
Cash and cash equivalents at beginning of period	**294,471**	213,303
Effect of foreign exchange rate changes, net	**(566)**	(1,264)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**334,585**	173,519
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	**68,323**	75,526
Non-pledged time deposits with original maturity of less than three months when acquired	**266,262**	97,993
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position	**334,585**	173,519

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 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 2023.

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 adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, 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 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

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 and associates 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 2024 (Unaudited)

	Manufacturing *US$'000*	Retailing and wholesaling *US$'000*	Total *US$'000*
Segment revenue			
Sales to external customers	**769,067**	**944**	**770,011**
Intersegment sales	**991**	**–**	**991**
Total segment revenue	**770,058**	**944**	**771,002**
Reconciliation:			
Elimination of intersegment sales			**(991)**
Revenue			**770,011**
Segment results	**102,070**	**(267)**	**101,803**
Reconciliation:			
Corporate and other unallocated income			**25**
Corporate and other unallocated expenses, gains and losses			**(4,815)**
Share of result of a joint venture			**2,039**
Operating profit before changes in fair value of financial instruments			**99,052**
Net fair value loss on financial instruments			**(1,369)**
Operating profit after changes in fair value of financial instruments			**97,683**
Interest income			**8,094**
Interest expense			**(384)**
Profit before tax			**105,393**

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
Total segment revenue	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)

The following table presents the asset and liability information of the Group's operating segments as at 30 June 2024 and 31 December 2023, respectively.

	30 June 2024	31 December 2023
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Segment assets		
Manufacturing	**1,367,338**	1,315,496
Retailing and wholesaling	**19,968**	25,576
	1,387,306	1,341,072
Corporate and other unallocated assets	**17,803**	18,629
	1,405,109	1,359,701
Segment liabilities		
Manufacturing	**288,765**	281,529
Retailing and wholesaling	**2,466**	1,536
	291,231	283,065
Corporate and other unallocated liabilities	**10,376**	9,172
	301,607	292,237

4. REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2024	2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**770,011**	716,086

4. REVENUE (Continued)

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2024 (Unaudited)

Segments

	Manufacturing *US$'000*	**Retailing and wholesaling** *US$'000*	**Total** *US$'000*
Types of goods			
Sales of footwear and handbag	**769,067**	**944**	**770,011**
Geographical markets			
The People's Republic of China (the "PRC")	**127,774**	**860**	**128,634**
Asia (other than the PRC)	**69,456**	**–**	**69,456**
Europe	**189,522**	**84**	**189,606**
North America	**360,241**	**–**	**360,241**
Others	**22,074**	**–**	**22,074**
Total	**769,067**	**944**	**770,011**
Timing of revenue recognition			
Goods transferred at a point in time	**769,067**	**944**	**770,011**

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	713,376	2,710	716,086
Timing of revenue recognition			
Goods transferred at a point in time	713,376	2,710	716,086

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**572,005**	546,018
Depreciation of property, plant and equipment	**23,668**	22,483
Depreciation of investment properties	**376**	391
Depreciation of right-of-use assets	**3,424**	4,014
Net fair value loss on financial assets at fair value through profit or loss	**1,369**	5,100
Severance payments and other related costs	**1,337**	1,358
Impairment losses of financial assets, net#	**6,208**	17,015
(Write-back of provision)/provision against inventories, net	**(877)**	4,308
Bank interest income	**(7,893)**	(4,016)
Interest income from financial assets at fair value through profit or loss	**(201)**	(252)
(Gain)/loss on disposal of items of property, plant and equipment	**(44)**	671
Foreign exchange differences, net	**238**	(2,711)

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 2023: 25%) during the six months ended 30 June 2024.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2023: 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 (2023: 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 2023: 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	
	2024	2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Current		
Charge for the period:		
– PRC	**5,899**	4,867
– Macau	**2,381**	2,428
– Elsewhere	**1,146**	931
	9,426	8,226
Deferred tax	**4,453**	–
Total	**13,879**	8,226

7. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Final declared and paid – HK61 cents (six months ended 30 June 2023: HK45 cents) per ordinary share	**63,415**	45,590

On 22 August 2024, the board of directors (the "Board") declared an interim dividend of HK65 cents per ordinary share, amounting to approximately US$67,857,000.

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 2024 attributable to ordinary equity holders of the parent of US$91,944,000 (six months ended 30 June 2023: US$55,718,000), and the weighted average number of ordinary shares, excluding a pool of shares maintained by a trustee, of 802,144,522 (six months ended 30 June 2023: 792,200,500) in issue during the period.

During the six months ended 30 June 2024 and 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 calculations of basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2024	2023
	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	**91,944**	55,718

	Number of shares	
	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**802,144,522**	792,200,500
Effect of dilution – weighted average number of ordinary shares:		
Share options	**17,137,827**	287,722
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**819,282,349**	792,488,222

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment of US$27,434,000 (six months ended 30 June 2023: US$22,803,000). In addition, the Group has disposed of and written off certain items of property, plant and equipment with an aggregate carrying amount of US$94,000 (six months ended 30 June 2023: US$876,000) for cash proceeds of US$138,000 (six months ended 30 June 2023: cash proceeds of US$205,000), resulting in an aggregate gain of US$44,000 (six months ended 30 June 2023: loss of US$671,000).

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 2024	31 December 2023
	US$'000	*US$'000*
	(Unaudited)	(Audited)
Within 1 month	**151,112**	112,155
1 to 2 months	**103,445**	94,317
2 to 3 months	**33,969**	49,584
3 to 6 months	**8,904**	11,861
6 to 12 months	**3,612**	4,742
Over 1 year	**3,377**	5,161
Total	**304,419**	277,820

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$38,962,000 (31 December 2023: US$39,795,000), with provision of expected credit losses amounting to US$31,696,000 (31 December 2023: US$31,696,000), 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 2024** ***US$'000*** **(Unaudited)**	31 December 2023 *US$'000* (Audited)
Listed equity investments, at fair value	*(a)*	**2,105**	3,469
Listed debt investments, at fair value	*(b)*	**–**	5
Total		**2,105**	3,474
Non-current assets		**2,105**	3,469
Current assets		**–**	5
Total		**2,105**	3,474

Notes:

(a) As at 30 June 2024, the Group holds 1,175,790 (31 December 2023: 1,175,790) shares of a company, which was listed on the New York Stock Exchange ("NYSE").

The investments were 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 2024, fair value loss of US$1,364,000 (six months ended 30 June 2023: 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 2024, fair value loss of US$5,000 (six months ended 30 June 2023: US$44,000) was recognised in profit or loss.

CHAIRMAN STATEMENT

Dear shareholders,

We have now entered into the second year of our Three-Year Plan for growth and margin expansion, under which we target to achieve an operating margin of 10% and a low-teens annualised growth rate on profit after tax by the end of 2025.

In the first half of 2024, we remained ahead of schedule in meeting these targets, with our operating margin for the first half of this year reaching 12.9% (before changes in fair value of financial instruments), building further on the 10.7% operating margin we achieved in the 2023 full-year, as we continued to enhance our customer mix, expand and diversify our manufacturing base, optimise management effectiveness and efficiency, and strengthen our use of working capital.

We achieved this even as our brand customers faced a mixed operating environment, which is offering both opportunities and uncertainties. This was particularly apparent in recent months when several of our customers requested shipments earlier than originally planned, seeking to take advantage of a big tourist season this summer propelled by the Olympic Games in Paris and a strong US Dollar. As a result of the front-loading of these orders, we recorded higher-than-expected revenue and volume growth in the first six months of this year compared to what we originally budgeted. We were pleased to help our customers fully tap these summer sales opportunities through our unmatched speed-to-market and production flexibility.

That said, our performance expectations for the full year remains unchanged—as does our priorities. Thanks to our ongoing efforts to enhance our product category mix by adding new customers in the Luxury and high-end Fashion categories, our non-Sports manufacturing facilities have been operating at close to full utilisation since last year and should continue to do so, despite slowing momentum in some elements of the global luxury market. Our main priority in the second half of this year is to progressively expand our manufacturing capacity for higher-margin products, starting at our newest factory in Solo, Indonesia, where we intend to transition some Fashion category products to free up resources in Vietnam.

On the Sports-side of our business, the end of the destocking undertaken by some customers in 2023 will support the ongoing recovery of utilisation rates and operating leverage at our Sports factories.

Therefore, for the reasons outlined above, we are confident that we will maintain or expand on our strong margin levels in the second half of the year, even as volume growth slows over the coming months on a year-on-year basis.

In line with our long-standing 70% dividend payout ratio, the Board has resolved to declare an interim dividend of HK65 cents per ordinary share. Further, given the Group's strong cash levels, the Board announced its intention to return additional cash to shareholders up to US$60 million per year for the next three years (2024-2026) through a combination of share repurchases and dividends, as we seek to provide more value and attractive returns to our shareholders.

We also remain strongly committed to improving our transparency and the sustainability of our business, in line with our four Sustainability Development vision goals: building green and low-carbon factories, fostering a diversified community, enhancing supply chain resilience, and achieving smart operations. Our ongoing efforts to meet these goals were recently recognised by MSCI ESG Research which recently upgraded our MSCI ESG Rating to 'A'.

We look forward to continuing delivering for our customers, business partners, employees and shareholders in the coming months and years. I thank you all for your valued support.

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors (the "Board") of Stella International Holdings Limited ("Stella" or the "Company") is pleased to present the interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2024.

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. Over the years, we have provided customers with an all-rounded skillset, integrated and accumulated from developing 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 (2023-2025) 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 for 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 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 (2023-2025)

Operating margin: 10%	**Profit After Tax CAGR[1]: Low-Teens**

BUSINESS REVIEW

For the six months ended 30 June 2024, revenue and shipment volumes increased year-on-year, driven by Sports category orders and earlier shipments to certain customers compared to the original shipment plan. We also saw continued gross profit margin improvement resulting from an enhanced customer mix. This, together with improved operating leverage from the increased utilisation of our Sports manufacturing facilities during the period under review, also drove an expansion of our operating profit margin.

Our non-Sports manufacturing facilities operated at close to full utilisation throughout the period under review as we continued to enhance our product category mix as part of our Three-Year Plan. We prioritised the ramp-up of our new factory in Solo, Indonesia, focusing on improving worker skill levels in order to transition the production of some Fashion category products there from our factories in Vietnam. Our build-out of an additional production facility in Bangladesh proceeded on schedule.

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 2024 is as below:

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1 CAGR: Compound Annual Growth Rate

Revenue

The Group's consolidated revenue for the six months ended 30 June 2024 increased by 7.5% to US$770.0 million (first half of 2023: US$716.1 million). Shipment volumes rose by 12.3% to 26.5 million pairs (first half of 2023: 23.6 million pairs), with growth mostly driven by the Sports category, as well as earlier shipments to certain customers, amounting to approximately 1 million pairs, compared to the original shipment plan. The ASP of our footwear products decreased by 4.4% to US$28.3 per pair (first half of 2023: US$29.6 per pair), which was due to the higher proportion of Sports products which have a lower ASP.

In terms of product category, sales of our Sports category increased by 13.0% which accounted for 45.1% of total manufacturing revenue (first half of 2023: 42.9%) as some of our Sports customers started restocking after resolving their previous inventory issues. Revenue attributed to our Luxury and Fashion categories increased by 1.8% and 9.9% respectively and accounted for 8.4% and 26.2% of total manufacturing revenue respectively (first half of 2023: 8.8% and 25.7%). Revenue attributed to our Casual category declined by 3.6%, accounting for 20.3% (first half of 2023: 22.6%) of total manufacturing revenue as we continued to reallocate 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 46.8% and 24.6% 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 16.7%, 9.0% and 2.9% respectively of the Group's total revenue.

Revenue attributed to our branding business (namely the wholesale business for our own retail footwear brand *Stella Luna* in the PRC which is in the process of being scaled down) decreased by 66.7% to US$0.9 million during the period under review.

Gross profit

Our gross profit for the period under review increased by 20.0% to US$198.9 million, compared to US$165.8 million in the same period of last year. Our gross profit margin for the period under review was 25.8%(first half of 2023: 23.1%), supported by an improved product category mix and production efficiency.

Operating profit

The reported operating profit[2] of the Group for the period under review increased by 52.9% to US$99.1 million, compared to US$64.8 million in the same period of last year. This was attributable to higher shipment volumes driven by Sports category orders, the earlier shipments to certain customers, an enhanced customer mix and improved operating leverage resulting from the increased utilisation of its Sports manufacturing facilities.

The operating profit margin (before changes in fair value of financial instruments) of the Group for the period under review was 12.9%, compared to 9.0% in the same period of last year.

Net results

Due to the factors outlined above, the Group recorded a net profit of US$91.5 million during the period under review, compared to US$55.2 million in the same period of last year, including a marked-to-market net fair value loss of US$1.4 million on financial instruments related to its investment in Lanvin Group Holdings Limited ("Lanvin Group") listed on the New York Stock Exchange (first half of 2023: marked-to-market net fair value loss of US$5.1 million).

Excluding the Group's net fair value change from its investment in Lanvin Group, the Group recorded an adjusted net profit[3] of US$92.9 million (first half of 2023: US$60.3 million). Our adjusted net profit[3] margin was 12.1%, compared to 8.4% in the same period of last year.

Strong net cash position

With our capital expenditure projects progressing slower than expected during the period under review, we remained focused on managing our working capital usage and cash flow. As of 30 June 2024, our net cash position was US$326.1 million, compared to a net cash position of US$162.5 million as at 30 June 2023. About US$140 million of the cash is reserved for completing the new factory in Bangladesh and for our upcoming new sports footwear factory in Indonesia. Therefore, the Group's net gearing ratio[4] was -29.6% as at 30 June 2024, compared to -15.9% as at 30 June 2023.

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

3 Adjusted net profit represents the profit for the period, excluding net fair value loss of US$1.4 million related to the Group's investment in Lanvin Group.

4 Net gearing ratio = net debt/shareholder equity

RECOGNITIONS AND AWARDS

During the period under review, our sustainability and investor relations efforts were recognised by a number of distinguished external parties:

- Our MSCI ESG rating was upgraded to 'A' from 'B' by MSCI ESG Research, reflecting our ongoing efforts to adopt better sustainability and transparency practices.

- We were named in the leading international financial magazine *Institutional Investor's* annual "Asia Executive Team Rankings" for the first time, earning the 'Honoured Company' designation in 2024. In the Rest of Asia section (ex Japan and mainland China), we ranked 3rd in the 'Best Company Board' category by the Sell-Side and 6th (overall) in the Consumer Discretionary sector, based on the votes of 4,943 buy-side professionals and 951 sell-side analysts.

- At the 10th Investor Relations Awards 2024 held by the *Hong Kong Investor Relations Association*, we were one of the winners for the 'Best IR Company' (small-cap) award.

OUTLOOK

For the full year 2024, we expect to maintain or expand on the same strong operating margin level we achieved in 2023 as we continue implementing the strategies and meeting the targets set out in our Three-Year Plan.

Beyond margin growth, our Three-Year Plan continues to yield other benefits. Our specialisation in product development and manufacturing is enabling us to secure a larger share of orders from certain brand customers who are concentrating on key vendors. Additionally, our efforts to diversify our manufacturing base allowed us to swiftly reorganise production in response to recent unrest in Bangladesh and growing concerns about future tariffs on Chinese exports, thereby gaining additional order share from some customers.

Our full-year ASP will likely stay at a similar level as the first half of this year due to the higher proportion of Sports orders within our product mix. On a full-year basis, we expect shipment volumes to grow moderately compared to 2023, led by our Sports category.

We expect our non-Sports manufacturing facilities to continue operating at close to full utilisation in the second half of 2024 as we further enhance our product category mix as part of our Three-Year Plan. Our manufacturing facility in Bangladesh experienced minimal disruption during the recent political unrest in July and August.

We remain fully focused on ramping up our new factory in Solo, Indonesia and improving worker skill levels in order to expand our capacity for higher-margin products and transition the production of some Fashion category products there from our factories in Vietnam. We will also proceed with the buildout of an additional production facility in Bangladesh.

Elsewhere in our business, 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, with the aim of introducing it to more of our high-end customer base. We will also continue to scale down the remainder of our branding business in the PRC as part of our strategic plan to focus on creating more value and 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 HK65 cents per ordinary share for the six months ended 30 June 2024 and maintain the Company's normal payout ratio of about 70% set against its adjusted net profit[3] of US$92.9 million, which excludes the US$1.4 million fair value loss on the Lanvin Group investment.

Given our strong cash levels, the Board has also resolved to return additional cash up to US$60 million per year for the next three years (2024-2026) to shareholders, not exceeding US$180 million in total, through a combination of share repurchases and special dividends, on top of paying regular dividends with a payout ratio of 70% (comprising final dividends and interim dividends).

[3] Adjusted net profit represents the profit for the period, excluding net fair value loss of US$1.4 million related to the Group's investment in Lanvin Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2024, the Group had cash and cash equivalents of approximately US$334.6 million (31 December 2023: US$294.5 million; 30 June 2023: US$173.5 million), representing an increase of 92.9% compared to 30 June 2023.

In the six months ended 30 June 2024, net cash inflows from operations were US$99.2 million, compared to net cash inflows of US$28.2 million from operations for the corresponding period of 2023.

Net cash outflows used in investing activities were US$15.7 million during the period under review (for the six months ended 30 June 2023: US$22.4 million), representing a decrease of 29.9%. Capital expenditure amounted to approximately US$23.8 million during the period under review (for the six months ended 30 June 2023: US$22.8 million).

As at 30 June 2024, the Group had current assets of approximately US$884.8 million (31 December 2023: US$827.5 million) and current liabilities of approximately US$272.6 million (31 December 2023: US$265.2 million). The current ratio (which is calculated on the basis of current assets over current liabilities) was 3.2 as at 30 June 2024 (31 December 2023: 3.1), an indication of the Group's high liquidity and healthy financial position.

BANK BORROWINGS

The Group had bank borrowings of US$8.5 million as at 30 June 2024 (31 December 2023: US$7.1 million), which are principally denominated in Hong Kong dollars, New Taiwan dollars and U.S. dollars, with an effective interest rate of 1.11%-5.41%.

The Group maintained a net cash position of US$326.1 million as at 30 June 2024 (31 December 2023: US$287.4 million; 30 June 2023; US$162.5 million). Therefore, the Group's net gearing ratio[4] was -29.6% as at 30 June 2024 compared to -15.9% as at 30 June 2023.

FOREIGN CURRENCY EXPOSURE

During the six months ended 30 June 2024, 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.

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

PLEDGE OF ASSETS

As at 30 June 2024, the Group had pledged US$10.7 million of its assets (31 December 2023: US$10.9 million).

CONTINGENT LIABILITIES

As at 30 June 2024, the Group had no contingent liabilities (31 December 2023: Nil).

MATERIAL ACQUISITION AND DISPOSAL

During the six months ended 30 June 2024, the Group had no material acquisition or disposal of subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENT

As at 30 June 2024, the Group did not hold any significant investments with a value of 5% or more of the Group's total assets.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Directors confirmed that, as at the date of this announcement, there was no plan for any material investment or to acquire capital assets other than those in the Group's ordinary business.

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 2024, the Group had approximately 42,100 direct employees (31 December 2023: approximately 39,900) and an overall workforce of approximately 63,510. Our overall workforce includes both direct employees of the Group and employees indirectly employed by the Group (which refers to workers supplied by contractor companies under labour supply agreements). 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 2024, 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 HK65 cents per ordinary share for the six months ended 30 June 2024. The interim dividend will be paid to shareholders listed on the register of members of the Company at the close of business on Tuesday, 10 September 2024. It is expected that the interim dividend will be paid on or about Friday, 20 September 2024. The register of members of the Company will be closed from Friday, 6 September 2024 to Tuesday, 10 September 2024, 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 2024, 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 Thursday, 5 September 2024.

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 set out in Part 2 of Appendix C1 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 2024. Further information on the Company's corporate governance practices is set out in the corporate governance report in the Company's 2023 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 C3 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 2024.

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 2024.

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 2024 containing the required information under the Listing Rules will be 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, 22 August 2024

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.