



Stella International Holdings Limited
Stock Code: 1836

Interim Report 2023

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CHAIRMAN'S 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.

Chen Li-Ming, Lawrence

Chairman

Hong Kong, 17 August 2023

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 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:

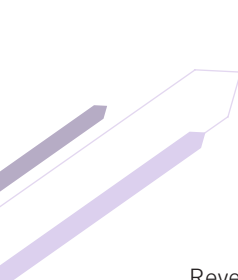
Revenue

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 profit¹ 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 our improved customer mix, enhanced production efficiency and cost controls was offset by a US\$16 million net provision² 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 profit³ of US\$60.3 million (first half of 2022: US\$60.2 million). Our adjusted net profit³ margin was 8.4%, compared to 7.3% in the first half of 2022.

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

² 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 issued 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.

³ 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.

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 ratio⁴ 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.

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 normal payout ratio of about 70% set against its adjusted net profit³ of US\$60.3 million, which excludes the US\$5.1 million fair value loss on the Lanvin Group investment.

³ 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 gearing ratio = net debt/shareholder equity.



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 a 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), which are principally denominated in Hong Kong dollars, New Taiwan dollars and U.S. dollars, with an effective interest rate of 1.5%-5.26%. For the maturity of the Group's borrowing, please refer to note 14 to the financial statements of the Group contained in this interim report.

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 ratio⁴ was -15.9% as at 30 June 2023 compared to -6.8% as at 30 June 2022.

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.

During the six months ended 30 June 2023, the Group did not carry out any hedging activity against foreign currency risk.

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).

⁴ Net gearing ratio = net debt/shareholder equity.

MATERIAL ACQUISITION AND DISPOSAL

During the six months ended 30 June 2023, the Group had no material acquisition or disposal of subsidiaries, associates or joint ventures.

SIGNIFICANT INVESTMENT

As at 30 June 2023, 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 report, 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 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.

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 dates 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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



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To the board of directors of Stella International Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 11 to 39, which comprises the condensed consolidated statement of financial position of Stella International Holdings Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Ernst & Young

Certified Public Accountants

Hong Kong

17 August 2023

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

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 US\$'000 (Unaudited)	2022 US\$'000 (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
OTHER COMPREHENSIVE LOSS			
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>			
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

	<i>Notes</i>	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	12	80,944	66,463
Other payables and accruals	13	92,148	107,785
Interest-bearing bank borrowings	14	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
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	14	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	15	10,155	10,155
Share premium and reserves		998,463	988,706
Non-controlling interests		1,008,618	998,861
		16,599	17,088
Total equity		1,025,217	1,015,949

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the parent											
	Share capital US\$'000 (unaudited)	Share premium US\$'000 (unaudited)	Merger reserve US\$'000 (unaudited)	Capital reserve US\$'000 (unaudited)	Exchange reserve US\$'000 (unaudited)	Shares held for share award scheme US\$'000 (unaudited)	Capital redemption reserve US\$'000 (unaudited)	Share option reserve US\$'000 (unaudited)	Retained profits US\$'000 (unaudited)	Sub-total US\$'000 (unaudited)	Non-controlling interests US\$'000 (unaudited)	Total equity US\$'000 (unaudited)
At 1 January 2023	10,155	156,252*	38,841*	1,146*	(15,464)*	(2,722)*	190*	11,930*	798,533*	998,861	17,088	1,015,949
Profit/(loss) for the period	-	-	-	-	-	-	-	-	55,718	55,718	(491)	55,227
Other comprehensive income/(loss) for the period:												
Exchange differences on translation of foreign operations	-	-	-	-	(2,580)	-	-	-	-	(2,580)	2	(2,578)
Total comprehensive income/(loss) for the period	-	-	-	-	(2,580)	-	-	-	55,718	53,138	(489)	52,649
Equity-settled share option arrangements	-	-	-	-	-	-	-	2,209	-	2,209	-	2,209
Transfer of share option reserve upon the expiry of share options	-	-	-	-	-	-	-	(1,700)	1,700	-	-	-
Final 2022 dividend	-	-	-	-	-	-	-	-	(45,590)	(45,590)	-	(45,590)
At 30 June 2023	10,155	156,252*	38,841*	1,146*	(18,044)*	(2,722)*	190*	12,439*	810,361*	1,008,618	16,599	1,025,217

For the six months ended 30 June 2022

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

* These reserve accounts comprise the consolidated share premium and reserves of US\$998,463,000 (31 December 2022: US\$988,706,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 US\$'000 (Unaudited)	2022 US\$'000 (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)
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	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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.
- (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.

3. OPERATING SEGMENT INFORMATION (continued)

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.

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
<i>Reconciliation:</i>			
Elimination of intersegment sales			(1,673)
Revenue			716,086
Segment results	67,962	(2,440)	65,522
<i>Reconciliation:</i>			
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
	<u>825,272</u>	<u>5,685</u>	<u>830,957</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(3,764)</u>
Revenue			<u>827,193</u>
Segment results	<u>79,503</u>	<u>(5,826)</u>	73,677
<i>Reconciliation:</i>			
Corporate and other unallocated income			42
Corporate and other unallocated expenses, gains and losses			(6,431)
Share of result of a joint venture			<u>1,284</u>
Operating profit before changes in fair value of financial instruments			68,572
Net fair value loss on financial instruments			<u>(15)</u>
Operating profit after changes in fair value of financial instruments			68,557
Interest income			345
Interest expense			<u>(462)</u>
Profit before tax			<u>68,440</u>

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 US\$'000 (Unaudited)	31 December 2022 US\$'000 (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 US\$'000 (Unaudited)	2022 US\$'000 (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 US\$'000 (Unaudited)	2022 US\$'000 (Unaudited)
Final declared and paid – HK45 cents (six months ended 30 June 2022: HK56 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 as disclosed in note 16, 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 as disclosed in note 16 to the interim financial information 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 US\$'000 (Unaudited)	2022 US\$'000 (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 (Unaudited)	2022 (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 US\$'000 (Unaudited)	31 December 2022 US\$'000 (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

	<i>Notes</i>	30 June 2023 US\$'000 (Unaudited)	31 December 2022 US\$'000 (Audited)
Listed equity investments, at fair value	<i>(a)</i>	5,667	10,723
Listed debt investments, at fair value	<i>(b)</i>	15	59
Currency-linked contracts, at fair value	<i>(c)</i>	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.

12. TRADE PAYABLES

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

	30 June 2023 US\$'000 (Unaudited)	31 December 2022 US\$'000 (Audited)
Within 1 month	65,444	55,463
1 to 2 months	9,018	5,817
Over 2 months	6,482	5,183
	80,944	66,463

Included in the trade payables are trade payables of US\$32,921,000 (31 December 2022: US\$29,586,000) due to a joint venture which are repayable within 90 days and have credit terms similar to those offered by the joint venture to its major customers.

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

13. OTHER PAYABLES AND ACCRUALS

	<i>Note</i>	30 June 2023 US\$'000 (Unaudited)	31 December 2022 US\$'000 (Audited)
Other payables	<i>(a)</i>	37,223	41,633
Accruals		54,925	66,152
		92,148	107,785

Note:

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

14. INTEREST-BEARING BANK BORROWINGS

	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
	Effective interest rate %	Maturity	US\$'000	Effective interest rate %	Maturity	US\$'000
Current						
Bank loans – secured	1.50-5.26	2023-2024	8,944	0.88-2.85	2023	5,117
Non-current						
Bank loans – secured	1.50	2024-2028	2,028	0.88	2024-2028	2,110
			10,972			7,227

Notes:

- (a) As at 30 June 2023, bank borrowings of US\$3,828,000 (31 December 2022: Nil) are denominated in Hong Kong dollar (“HKD”), US\$2,144,000 (31 December 2022: US\$2,227,000) are denominated in New Taiwan dollar (“TWD”) and US\$5,000,000 (2022: US\$5,000,000) are denominated in US\$.
- (b) The Group’s bank borrowings are secured by mortgages over the Group’s freehold land, buildings and pledged deposits, which had aggregate carrying values at the end of the reporting period of approximately US\$1,655,000, US\$3,565,000 and US\$5,560,000 (31 December 2022: US\$1,692,000, US\$3,605,000 and US\$5,484,000), respectively.

15. SHARE CAPITAL

	30 June 2023 US\$'000 (Unaudited)	31 December 2022 US\$'000 (Audited)
Authorised:		
5,000,000,000 ordinary shares of HK\$0.1 each	63,975	63,975
Issued and fully paid:		
793,978,500 ordinary shares of HK\$0.1 each	10,155	10,155

16. SHARE-BASED PAYMENTS TRANSACTIONS

Long term incentive scheme

The Company's former long term incentive scheme (the "2007 Scheme") was conditionally approved by a written resolution of the shareholders passed on 15 June 2007 and was adopted by a resolution of the Board passed on 15 June 2007 for the primary purpose of providing incentives to, among other participants, directors and eligible employees, and expired on 5 July 2017. Under the 2007 Scheme, the Board might grant an award either by way of option, to subscribe shares of the Company, an award of shares or a grant of a conditional right to acquire shares, to eligible participants.

Pursuant to the terms of the 2007 Scheme, the Company appointed an independent trustee, Teeroy Limited (the "Trustee"), for the purpose of administering awards of Restricted Unit Awards under the 2007 Scheme. As at 30 June 2023, the Trustee maintained a pool of 1,778,000 (31 December 2022: 1,778,000) shares (the "Entrusted Shares") on trust for the Company and it will, at the direction of the Company, transfer, assign or otherwise deal with the Entrusted Shares, provided that no Entrusted Shares may be transferred to the Company unless in compliance with the applicable laws and regulations (including the Code of Share Repurchase) and that the Trustee is not required to exercise the voting rights attaching to the Entrusted Shares.

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

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

16. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

Long term incentive scheme (continued)

Details of the share options granted and outstanding under the 2007 Scheme during the six months ended 30 June 2023 were as follows:

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2022 (Audited)	Exercised during the year (Audited)	Forfeited/ lapsed during the year (Audited)	Outstanding as at 31.12.2022 (Audited)	Forfeited/ lapsed during the period (Unaudited)	Outstanding as at 30.6.2023 (Unaudited)
Directors:											
Mr. Chi Lo-Jen	2017-B	17.3.2017	11.48	22.3.2019	22.3.2019 to 16.3.2023	341,750	-	-	341,750	(341,750)	-
	2017-C	17.3.2017	11.48	20.3.2020	20.3.2020 to 16.3.2023	683,500	-	-	683,500	(683,500)	-
	2017-E	17.3.2017	11.48	18.3.2022	18.3.2022 to 16.3.2023	683,500	-	-	683,500	(683,500)	-
Mr. Chiang Yi-Min, Harvey	2017-B	17.3.2017	11.48	22.3.2019	22.3.2019 to 16.3.2023	27,000	-	-	27,000	(27,000)	-
	2017-C	17.3.2017	11.48	20.3.2020	20.3.2020 to 16.3.2023	54,000	-	-	54,000	(54,000)	-
	2017-E	17.3.2017	11.48	18.3.2022	18.3.2022 to 16.3.2023	54,000	-	-	54,000	(54,000)	-
						1,843,750	-	-	1,843,750	(1,843,750)	-
Employees											
	2017-B	17.3.2017	11.48	22.3.2019	22.3.2019 to 16.3.2023	1,336,250	-	(93,000)	1,243,250	(1,243,250)	-
	2017-C	17.3.2017	11.48	20.3.2020	20.3.2020 to 16.3.2023	3,291,750	-	(466,000)	2,825,750	(2,825,750)	-
	2017-E	17.3.2017	11.48	18.3.2022	18.3.2022 to 16.3.2023	3,283,000	-	(430,500)	2,852,500	(2,852,500)	-
						7,911,000	-	(989,500)	6,921,500	(6,921,500)	-
Consultants providing consultancy services to the Group											
	2017-B	17.3.2017	11.48	22.3.2019	22.3.2019 to 16.3.2023	20,500	-	-	20,500	(20,500)	-
	2017-C	17.3.2017	11.48	20.3.2020	20.3.2020 to 16.3.2023	91,000	-	-	91,000	(91,000)	-
	2017-E	17.3.2017	11.48	18.3.2022	18.3.2022 to 16.3.2023	91,000	-	-	91,000	(91,000)	-
						202,500	-	-	202,500	(202,500)	-
Total						9,957,250	-	(989,500)	8,967,750	(8,967,750)	-
Exercisable at the end of the year/period									8,967,750		-
Weighted average exercise price (HK\$ per share)*						11.48	-	11.48	11.48	11.48	-

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

During the six months ended 30 June 2023, no share option expense was recognised (six months ended 30 June 2022: US\$41,000).

No share option was exercised under the 2007 Scheme during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

16. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

Long term incentive scheme (continued)

At the end of the reporting period, the Company had no share options outstanding under the 2007 Scheme.

Share award plan

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

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

During the period ended 30 June 2023, no shares were purchased or granted under the Share Award Plan.

Share option scheme

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

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

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

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

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

16. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

Share option scheme (continued)

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

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

On 15 April 2020, 26 November 2020, 19 March 2021, 3 January 2022 and 17 March 2023, a total of 2,700,000 share options (the "April 2020 share options"), a total of 17,163,000 share options (the "November 2020 share options"), a total of 19,695,000 share options (the "March 2021 share options"), a total of 19,740,000 share options (the "January 2022 share options") and a total of 19,760,000 share options (the "March 2023 share options") were granted, respectively under the 2017 Scheme.

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

April 2020 share options

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2022 (Audited)	Forfeited/lapsed during the year (Audited)	Outstanding as at 31.12.2022 (Audited)	Forfeited/lapsed during the period (Unaudited)	Outstanding as at 30.6.2023 (Unaudited)
Employee	2020-B	15.4.2020	8.71	18.3.2022	18.3.2022 to 5.7.2027	900,000	-	900,000	-	900,000
	2020-C	15.4.2020	8.71	16.3.2023	16.3.2023 to 5.7.2027	900,000	-	900,000	-	900,000
Total						1,800,000	-	1,800,000	-	1,800,000
Exercisable at the end of the year/period								1,800,000		1,800,000
Weighted average exercise price (HK\$ per share)*						8.71	-	8.71	-	8.71

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

During the six months ended 30 June 2023, the Company recognised a share option expense of US\$8,000 (six months ended 30 June 2022: US\$29,000).

No share option was exercised under the April 2020 share options during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

Subsequent to the six months ended 30 June 2023 and up to the date of approval of these financial statements, no share option lapsed.

16. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

Share option scheme (continued)

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

November 2020 share options

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2022 (Audited)	Forfeited/lapsed during the year (Audited)	Outstanding as at 31.12.2022 (Audited)	Forfeited/lapsed during the period (Unaudited)	Outstanding as at 30.6.2023 (Unaudited)
Directors:										
Mr. Chi Lo-Jen	2020-A	26.11.2020	9.15	26.11.2021	26.11.2021 to 25.11.2030	316,500	-	316,500	-	316,500
	2020-B	26.11.2020	9.15	26.11.2022	26.11.2022 to 25.11.2030	316,500	-	316,500	-	316,500
	2020-C	26.11.2020	9.15	26.11.2023	26.11.2023 to 25.11.2030	316,500	-	316,500	-	316,500
Mr. Chiang Yi-Min, Harvey	2020-A	26.11.2020	9.15	26.11.2021	26.11.2021 to 25.11.2030	226,500	-	226,500	-	226,500
	2020-B	26.11.2020	9.15	26.11.2022	26.11.2022 to 25.11.2030	226,500	-	226,500	-	226,500
	2020-C	26.11.2020	9.15	26.11.2023	26.11.2023 to 25.11.2030	226,500	-	226,500	-	226,500
Mr. Gillman Christopher Charles	2020-A	26.11.2020	9.15	26.11.2021	26.11.2021 to 25.11.2030	226,500	-	226,500	-	226,500
	2020-B	26.11.2020	9.15	26.11.2022	26.11.2022 to 25.11.2030	226,500	-	226,500	-	226,500
	2020-C	26.11.2020	9.15	26.11.2023	26.11.2023 to 25.11.2030	226,500	-	226,500	-	226,500
						2,308,500	-	2,308,500	-	2,308,500
Employees										
	2020-A	26.11.2020	9.15	26.11.2021	26.11.2021 to 25.11.2030	4,418,500	(623,000)	3,795,500	-	3,795,500
	2020-B	26.11.2020	9.15	26.11.2022	26.11.2022 to 25.11.2030	4,418,500	(623,000)	3,795,500	-	3,795,500
	2020-C	26.11.2020	9.15	26.11.2023	26.11.2023 to 25.11.2030	4,418,500	(623,000)	3,795,500	(67,000)	3,728,500
						13,255,500	(1,869,000)	11,386,500	(67,000)	11,319,500
Total						15,564,000	(1,869,000)	13,695,000	(67,000)	13,628,000
Exercisable at the end of the year/period								13,695,000		13,628,000
Weighted average exercise price (HK\$ per share)*						9.15	9.15	9.15	9.15	9.15

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

During the six months ended 30 June 2023, the Company recognised a share option expense of US\$221,000 (six months ended 30 June 2022: US\$549,000).

No share option was exercised under the November 2020 share options during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

Subsequent to the six months ended 30 June 2023 and up to the date of approval of these financial statements, a total of 201,000 share options lapsed.

16. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

Share option scheme (continued)

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

March 2021 share options

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2022 (Audited)	Forfeited/lapsed during the year (Audited)	Outstanding as at 31.12.2022 (Audited)	Forfeited/lapsed during the period (Unaudited)	Outstanding as at 30.6.2023 (Unaudited)
Directors:										
Mr. Chi Lo-Jen	2021-A	19.3.2021	9.46	19.3.2022	19.3.2022 to 18.3.2031	500,000	-	500,000	-	500,000
	2021-B	19.3.2021	9.46	19.3.2023	19.3.2023 to 18.3.2031	500,000	-	500,000	-	500,000
	2021-C	19.3.2021	9.46	19.3.2024	19.3.2024 to 18.3.2031	500,000	-	500,000	-	500,000
Mr. Chiang Yi-Min, Harvey	2021-A	19.3.2021	9.46	19.3.2022	19.3.2022 to 18.3.2031	400,000	-	400,000	-	400,000
	2021-B	19.3.2021	9.46	19.3.2023	19.3.2023 to 18.3.2031	400,000	-	400,000	-	400,000
	2021-C	19.3.2021	9.46	19.3.2024	19.3.2024 to 18.3.2031	400,000	-	400,000	-	400,000
Mr. Gillman Christopher Charles	2021-A	19.3.2021	9.46	19.3.2022	19.3.2022 to 18.3.2031	150,000	-	150,000	-	150,000
	2021-B	19.3.2021	9.46	19.3.2023	19.3.2023 to 18.3.2031	150,000	-	150,000	-	150,000
	2021-C	19.3.2021	9.46	19.3.2024	19.3.2024 to 18.3.2031	150,000	-	150,000	-	150,000
						3,150,000	-	3,150,000	-	3,150,000
Employees	2021-A	19.3.2021	9.46	19.3.2022	19.3.2022 to 18.3.2031	5,245,000	(625,000)	4,620,000	-	4,620,000
	2021-B	19.3.2021	9.46	19.3.2023	19.3.2023 to 18.3.2031	5,245,000	(625,000)	4,620,000	-	4,620,000
	2021-C	19.3.2021	9.46	19.3.2024	19.3.2024 to 18.3.2031	5,245,000	(625,000)	4,620,000	(20,000)	4,600,000
						15,735,000	(1,875,000)	13,860,000	(20,000)	13,840,000
Total						18,885,000	(1,875,000)	17,010,000	(20,000)	16,990,000
Exercisable at the end of the year/period								17,010,000		16,990,000
Weighted average exercise price (HK\$ per share)*						9.46	9.46	9.46	9.46	9.46

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

During the six months ended 30 June 2023, the Company recognised a share option expense of US\$425,000 (six months ended 30 June 2022: US\$963,000).

No share option was exercised under the March 2021 share options during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

Subsequent to the six months ended 30 June 2023 and up to the date of approval of these financial statements, a total of 100,000 share option lapsed.

16. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

Share option scheme (continued)

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

January 2022 share options

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2022 (Audited)	Granted during the year (Audited)	Forfeited/ lapsed during the year (Audited)	Outstanding as at 31.12.2022 (Audited)	Forfeited/ lapsed during the period (Unaudited)	Outstanding as at 30.6.2023 (Unaudited)
Directors:											
Mr. Chi Lo-Jen	2022-A	3.1.2022	9.10	3.1.2023	3.1.2023 to 2.1.2032	-	500,000	-	500,000	-	500,000
	2022-B	3.1.2022	9.10	3.1.2024	3.1.2024 to 2.1.2032	-	500,000	-	500,000	-	500,000
	2022-C	3.1.2022	9.10	3.1.2025	3.1.2025 to 2.1.2032	-	500,000	-	500,000	-	500,000
Mr. Chiang Yi-Min, Harvey	2022-A	3.1.2022	9.10	3.1.2023	3.1.2023 to 2.1.2032	-	400,000	-	400,000	-	400,000
	2022-B	3.1.2022	9.10	3.1.2024	3.1.2024 to 2.1.2032	-	400,000	-	400,000	-	400,000
	2022-C	3.1.2022	9.10	3.1.2025	3.1.2025 to 2.1.2032	-	400,000	-	400,000	-	400,000
Mr. Gillman Christopher Charles	2022-A	3.1.2022	9.10	3.1.2023	3.1.2023 to 2.1.2032	-	150,000	-	150,000	-	150,000
	2022-B	3.1.2022	9.10	3.1.2024	3.1.2024 to 2.1.2032	-	150,000	-	150,000	-	150,000
	2022-C	3.1.2022	9.10	3.1.2025	3.1.2025 to 2.1.2032	-	150,000	-	150,000	-	150,000
						-	3,150,000	-	3,150,000	-	3,150,000
Employees											
	2022-A	3.1.2022	9.10	3.1.2023	3.1.2023 to 2.1.2032	-	5,515,000	(555,000)	4,960,000	-	4,960,000
	2022-B	3.1.2022	9.10	3.1.2024	3.1.2024 to 2.1.2032	-	5,515,000	(555,000)	4,960,000	(40,000)	4,920,000
	2022-C	3.1.2022	9.10	3.1.2025	3.1.2025 to 2.1.2032	-	5,515,000	(555,000)	4,960,000	(40,000)	4,920,000
						-	16,545,000	(1,665,000)	14,880,000	(80,000)	14,800,000
Consultant providing consultancy services to the Group											
	2022-A	3.1.2022	9.10	3.1.2023	3.1.2023 to 2.1.2032	-	15,000	-	15,000	-	15,000
	2022-B	3.1.2022	9.10	3.1.2024	3.1.2024 to 2.1.2032	-	15,000	-	15,000	-	15,000
	2022-C	3.1.2022	9.10	3.1.2025	3.1.2025 to 2.1.2032	-	15,000	-	15,000	-	15,000
						-	45,000	-	45,000	-	45,000
Total						-	19,740,000	(1,665,000)	18,075,000	(80,000)	17,995,000
Exercisable at the end of the year/period									18,075,000		17,995,000
Weighted average exercise price (HK\$ per share)*						9.10	9.10	9.10	9.10	9.10	9.10

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

16. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

Share option scheme (continued)

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

January 2022 share options (continued)

The fair value of the share options for the January 2022 share options granted during the six months ended 30 June 2022 was US\$6,377,000 (HK\$2.53 each). During the six months ended 30 June 2023, the Company recognised a share option expense of US\$918,000 (six months ended 30 June 2022: US\$1,879,000).

No share option was exercised under the January 2023 share options during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

Subsequent to the six months ended 30 June 2023 and up to the date of approval of these financial statements, a total of 60,000 share option lapsed.

March 2023 share options

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2023 (Audited)	Granted during the period (Unaudited)	Forfeited/lapsed during the period (Unaudited)	Outstanding as at 30.6.2023 (Unaudited)
Directors:									
Mr. Chi Lo-Jen	2023-A	17.3.2023	7.65	17.3.2024	17.3.2024 to 16.3.2033	-	500,000	-	500,000
	2023-B	17.3.2023	7.65	17.3.2025	17.3.2025 to 16.3.2033	-	500,000	-	500,000
	2023-C	17.3.2023	7.65	17.3.2026	17.3.2026 to 16.3.2033	-	500,000	-	500,000
Mr. Chiang Yi-Min, Harvey	2023-A	17.3.2023	7.65	17.3.2024	17.3.2024 to 16.3.2033	-	400,000	-	400,000
	2023-B	17.3.2023	7.65	17.3.2025	17.3.2025 to 16.3.2033	-	400,000	-	400,000
	2023-C	17.3.2023	7.65	17.3.2026	17.3.2026 to 16.3.2033	-	400,000	-	400,000
Mr. Gillman Christopher Charles	2023-A	17.3.2023	7.65	17.3.2024	17.3.2024 to 16.3.2033	-	150,000	-	150,000
	2023-B	17.3.2023	7.65	17.3.2025	17.3.2025 to 16.3.2033	-	150,000	-	150,000
	2023-C	17.3.2023	7.65	17.3.2026	17.3.2026 to 16.3.2033	-	150,000	-	150,000
						-	3,150,000	-	3,150,000
Employees	2023-A	17.3.2023	7.65	17.3.2024	17.3.2024 to 16.3.2033	-	5,420,000	-	5,420,000
	2023-B	17.3.2023	7.65	17.3.2025	17.3.2025 to 16.3.2033	-	5,420,000	-	5,420,000
	2023-C	17.3.2023	7.65	17.3.2026	17.3.2026 to 16.3.2033	-	5,770,000	-	5,770,000
						-	16,610,000	-	16,610,000
Total						-	19,760,000	-	19,760,000
Exercisable at the end of the period									19,760,000
Weighted average exercise price (HK\$ per share)*						-	7.65	-	7.65

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

16. SHARE-BASED PAYMENTS TRANSACTIONS (continued)

Share option scheme (continued)

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

March 2023 share options (continued)

The fair value of the share options for the March 2023 share options granted during the six months ended 30 June 2023 was US\$1,873,000 (HK\$0.74 each). During the six months ended 30 June 2023, the Company recognised a share option expense of US\$637,000.

No share option was exercised under the March 2023 share options during the six months ended 30 June 2023.

Subsequent to the six months ended 30 June 2023 and up to the date of approval of these financial statements, no share option lapsed.

The fair value of equity-settled share options granted during the six months ended 30 June 2023 and 2022 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	March 2023 share options	January 2022 share options
Dividend yield (%)	13.10%	2.28%
Expected volatility (%)	33.89%	33.27%
Risk-free interest rate (%)	3.10%	1.30%
Life of options (year)	10 years	10 years
Weighted average share price (HK\$ per share)	7.65	9.10

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

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

	Exercise price HK\$	Outstanding as at 1.1.2023	Granted during the period	Lapsed during the period	Exercised during the period	Outstanding as at 30.6.2023	Granted during the period [^]	Lapsed during the period [^]	At the date of approval of these financial statements
2017 Scheme									
- April 2020 share options	8.71	1,800,000	-	-	-	1,800,000	-	-	1,800,000
- November 2020 share options	9.15	13,695,000	-	(67,000)	-	13,628,000	-	(201,000)	13,427,000
- March 2021 share options	9.46	17,010,000	-	(20,000)	-	16,990,000	-	(100,000)	16,890,000
- January 2022 share options	9.10	18,075,000	-	(80,000)	-	17,995,000	-	(60,000)	17,935,000
- March 2023 share options	7.65	-	19,760,000	-	-	19,760,000	-	-	19,760,000
		50,580,000	19,760,000	(167,000)	-	70,173,000	-	(361,000)	69,812,000

[^] Period from 1 July 2023 to the date of approval of these financial statements

At the end of the reporting period, the Company had 70,173,000 share options outstanding under the 2017 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 70,173,000 additional ordinary shares of the Company and additional share capital of US\$895,000 and share premium of US\$76,919,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 69,812,000 share options outstanding under the 2017 Scheme, which represented approximately 8.79% of the Company's shares in issue as at that date.

17. CAPITAL COMMITMENTS

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

	30 June 2023 US\$'000 (Unaudited)	31 December 2022 US\$'000 (Audited)
Contracted, but not provided for:		
Plant and equipment	8,377	2,831
Leasehold land	1,068	1,023
	9,445	3,854

18. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

	<i>Notes</i>	Six months ended 30 June 2023 US\$'000 (Unaudited)	2022 US\$'000 (Unaudited)
Associates:			
Sales of products	<i>(i)</i>	1,881	4,400
Joint venture:			
Purchases of products	<i>(ii)</i>	41,355	54,743

Notes:

- (i) The sales to the associate were made according to the published prices and conditions offered to the major customers of the Group, except that a longer credit period of up to 6 months is normally granted. The sales to Couture Accessories Holdings Limited, an associate, amounting to US\$1,881,000 (six months ended 30 June 2022: US\$4,400,000), also constitute continuing connected transactions, as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").
- (ii) The purchases from the joint venture were made according to the published prices and conditions offered by the joint venture to their major customers.

(b) Outstanding balances with related parties

Details of the Group's trade balances with its joint venture and associates as at the end of the reporting period are disclosed in notes 10 and 12 to the interim condensed consolidated financial statements.

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

	Six months ended 30 June 2023 US\$'000 (Unaudited)	2022 US\$'000 (Unaudited)
Short term employee benefits	721	756
Equity-settled share option expense	345	461
Total compensation paid to key management personnel	1,066	1,217

19. FINANCIAL INSTRUMENTS BY CATEGORY

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

30 June 2023 (Unaudited)

Financial assets

	Financial assets at fair value through profit or loss US\$'000	Financial assets at amortised cost US\$'000	Total US\$'000
Trade receivables	–	319,303	319,303
Financial assets included in prepayments, deposits and other receivables	–	48,211	48,211
Financial assets at fair value through profit or loss	9,680	–	9,680
Pledged bank deposits	–	5,560	5,560
Cash and cash equivalents	–	173,519	173,519
	9,680	546,593	556,273

Financial liabilities

	Financial liabilities at amortised cost US\$'000
Trade payables	80,944
Financial liabilities included in other payables and accruals	46,095
Lease liabilities	13,255
Interest-bearing bank borrowings	10,972
	151,266

31 December 2022 (Audited)

Financial assets

	Financial assets at fair value through profit or loss US\$'000	Financial assets at amortised cost US\$'000	Total US\$'000
Trade receivables	–	264,532	264,532
Financial assets included in prepayments, deposits and other receivables	–	46,473	46,473
Financial assets at fair value through profit or loss	10,782	–	10,782
Pledged deposits	–	5,484	5,484
Cash and cash equivalents	–	213,303	213,303
	10,782	529,792	540,574

Financial liabilities

	Financial liabilities at amortised cost US\$'000
Trade payables	66,463
Financial liabilities included in other payables and accruals	52,933
Lease liabilities	14,939
Interest-bearing bank borrowings	7,227
	141,562

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	30 June 2023 US\$'000 (Unaudited)	31 December 2022 US\$'000 (Audited)	30 June 2023 US\$'000 (Unaudited)	31 December 2022 US\$'000 (Audited)
Financial assets				
Financial assets at fair value through profit or loss	9,680	10,782	9,680	10,782
Financial liabilities				
Interest-bearing bank borrowings (note 14)	10,972	7,227	10,891	7,103

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

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

The fair values of the interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 30 June 2023 was assessed to be insignificant.

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

The fair value of currency-linked contracts are based on quotes from financial institutions.

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

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
As at 30 June 2023 (Unaudited)				
Financial assets at fair value through profit or loss	5,682	3,998	–	9,680
As at 31 December 2022 (Audited)				
Financial assets at fair value through profit or loss	10,782	–	–	10,782

There were no movements in fair value measurements within Level 3 during the six months ended 30 June 2023 and 2022.

Liabilities for which fair values are disclosed:

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
As at 30 June 2023 (Unaudited)				
Interest-bearing bank borrowings	–	10,891	–	10,891
As at 31 December 2022 (Audited)				
Interest-bearing bank borrowings	–	7,103	–	7,103

The Group did not have any financial liabilities measured at fair value as at 30 June 2023 and 31 December 2022.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2022: Nil).

21. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the Board on 17 August 2023.

DISCLOSURE OF INTERESTS

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

As at 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or was required to be recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Aggregate long positions in shares and underlying shares of the Company:

Director	Capacity/Nature of Interests	Number of Shares			Number of Underlying Shares	Total	Approximate Percentage of Shareholding (Note 1)
		Personal Interest	Spouse Interest	Corporate Interest			
Bolliger Peter	Beneficial owner	150,000	-	-	-	150,000	0.02%
Chan Fu Keung	Beneficial owner	100,000	-	-	-	100,000	0.01%
Chen Li-Ming, Lawrence	Beneficial owner and interest of controlled corporation	777,000	-	27,992,227 (Note 2)	-	28,769,227	3.62%
Chi Lo-Jen	Beneficial owner	1,783,500	-	-	5,449,500 (Note 3)	7,233,000	0.91%
Chiang Yi-Min, Harvey	Beneficial owner	-	2,753,149	-	4,279,500 (Note 4)	7,032,649	0.89%
Gillman Christopher Charles	Beneficial owner	-	-	-	2,029,500 (Note 5)	2,029,500	0.26%

Notes:

1. The percentage represents the number of shares involved divided by the number of the Company's issued shares as at 30 June 2023 (i.e. 793,978,500 ordinary shares).
2. These interests were held by Blue Diamond Investment Corp, the entire issued share capital of which was held by Chen Li-Ming, Lawrence. Chen Li-Ming, Lawrence was deemed to be interested in the shares of the Company in which that company was interested by virtue of the SFO.
3. These interests are share options (as described under the section headed "The 2017 Scheme" in the section headed "Other Information" below), out of which 2,133,000 share options were vested but not yet exercised.
4. These interests are share options (as described under the section headed "The 2017 Scheme" in the section headed "Other Information" below), out of which 1,653,000 share options were vested but not yet exercised.
5. These interests are share options (as described under the section headed "The 2017 Scheme" in the section headed "Other Information" below), out of which 903,000 share options were vested but not yet exercised.

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company had an interest or short position in the shares, underlying shares and debentures of the Company or its associated corporation which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or was required to be recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2023, the interests and short positions of the then shareholders of the Company (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:–

Long position in the shares of the Company

Name	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding <i>(Note 1)</i>
Cordwalner Bonaventure Inc.	Beneficial owner	173,508,593	21.85%
Merci Capital Limited <i>(Note 2)</i>	Beneficial owner	50,747,418	6.39%
Prime First Investments Limited <i>(Note 2)</i>	Interest of controlled corporation	50,747,418	6.39%
Chiang Jeh-Chung, Jack <i>(Note 2 & 3)</i>	Beneficial owner and interest of controlled corporation	51,078,918	6.43%

Notes:

1. The percentage represents the number of shares involved divided by the number of the Company's issued shares as at 30 June 2023 (i.e. 793,978,500 ordinary shares).
2. The entire share capital of Merci Capital Limited was held by Prime First Investments Limited, which was in turn wholly-owned by Chiang Jeh-Chung, Jack.
3. Chiang Jeh-Chung, Jack was directly interested in 331,500 issued shares of the Company which were held by him personally.

Save as disclosed above, as at 30 June 2023, no person (other than a Director or chief executive of the Company whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above), had an interest or short position in the shares and underlying shares of the Company that were required to be recorded in the register required to be kept by the Company under section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.



CORPORATE GOVERNANCE

Compliance with Corporate Governance Code

The Board and management of the Group are committed to achieving high standards of corporate governance through increasing transparency, accountability and better risk assessment and mitigation. We believe that high standard of corporate governance practices will translate into long-term returns to the shareholders of the Company (the “Shareholders”). The Company has applied the principles and complied with all code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 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. Having made specific enquiry with all Directors, 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.

OTHER INFORMATION

EVENTS AFTER THE REPORTING PERIOD

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

THE 2007 SCHEME

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

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

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

On 17 March 2017 (the “Date of Grant”), a total of 27,970,000 Options were granted to a total of 107 eligible participants (each of the eligible participants, the “Grantee”). Details are set out as below:

Subscription price of Options granted

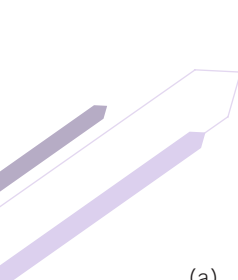
HK\$11.48 to subscribe for one Share

Closing price of the Shares immediately before the Date of Grant

HK\$11.48 per Share

Vesting date and validity period of Options

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

- 
- (a) subject to the vesting condition as mentioned below being fully or partly satisfied, up to 5,594,000 Options will be vested on the business day immediately following the date of results announcement of the Company for the financial year ended 31 December 2017, i.e. 16 March 2018 (“2018 Vesting Date”), which will be exercisable during the period commencing on the 2018 Vesting Date and expiring on 16 March 2023;
 - (b) subject to the vesting condition as mentioned below being fully or partly satisfied, up to 5,594,000 Options will be vested on the business day immediately following the date of results announcement of the Company for the financial year ended 31 December 2018, i.e. 22 March 2019 (“2019 Vesting Date”), which will be exercisable during the period commencing on the 2019 Vesting Date and expiring on 16 March 2023;
 - (c) subject to the vesting condition as mentioned below being fully or partly satisfied, up to 5,594,000 Options shall be vested on the business day immediately following the date of results announcement of the Company for the financial year ended 31 December 2019, i.e. 20 March 2020 (“2020 Vesting Date”), which is exercisable during the period commencing on the 2020 Vesting Date and expiring on 16 March 2023;
 - (d) subject to the vesting condition as mentioned below being fully or partly satisfied, up to 5,594,000 Options shall be vested on the business day immediately following the date of results announcement of the Company for the financial year ended 31 December 2020, i.e. 19 March 2021 (“2021 Vesting Date”), which is exercisable during the period commencing on the 2021 Vesting Date and expiring on 16 March 2023; and
 - (e) subject to the vesting condition as mentioned below being fully or partly satisfied, up to 5,594,000 Options shall be vested on the business day immediately following the date of results announcement of the Company for the financial year ended 31 December 2021, i.e. 18 March 2022 (“2022 Vesting Date”), which is exercisable during the period commencing on the 2022 Vesting Date and expiring on 16 March 2023.

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

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

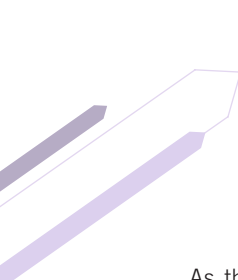
Out of these 27,970,000 Options, 3,417,500 Options were granted to Chi Lo-Jen, an executive director of the Company, 270,000 Options were granted to Chiang Yi-Min, Harvey, a current executive director of the Company who was an employee of the Group as at the Date of Grant, an aggregate of 22,757,500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

During the period under review, a total of 8,967,750 Options lapsed in accordance with the terms of the 2007 scheme. Details are set out as below:

Category of participants	Outstanding as at 1 January 2023	Date of grant	Vesting date	Exercise period	Exercise price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2023
Directors									
Chi Lo-Jen	341,750	17 March 2017	2019 Vesting Date	2019 Vesting Date to 16 March 2023	HK\$11.48	-	-	(341,750)	-
	683,500	17 March 2017	2020 Vesting Date	2020 Vesting Date to 16 March 2023	HK\$11.48	-	-	(683,500)	-
	683,500	17 March 2017	2022 Vesting Date	2022 Vesting Date to 16 March 2023	HK\$11.48	-	-	(683,500)	-
Chiang Yi-Min, Harvey	27,000	17 March 2017	2019 Vesting Date	2019 Vesting Date to 16 March 2023	HK\$11.48	-	-	(27,000)	-
	54,000	17 March 2017	2020 Vesting Date	2020 Vesting Date to 16 March 2023	HK\$11.48	-	-	(54,000)	-
	54,000	17 March 2017	2022 Vesting Date	2022 Vesting Date to 16 March 2023	HK\$11.48	-	-	(54,000)	-
	<u>1,843,750</u>					<u>-</u>	<u>-</u>	<u>(1,843,750)</u>	<u>-</u>
Employees									
	1,243,250	17 March 2017	2019 Vesting Date	2019 Vesting Date to 16 March 2023	HK\$11.48	-	-	(1,243,250)	-
	2,825,750	17 March 2017	2020 Vesting Date	2020 Vesting Date to 16 March 2023	HK\$11.48	-	-	(2,825,750)	-
	2,852,500	17 March 2017	2022 Vesting Date	2022 Vesting Date to 16 March 2023	HK\$11.48	-	-	(2,852,500)	-
	<u>6,921,500</u>					<u>-</u>	<u>-</u>	<u>(6,921,500)</u>	<u>-</u>
Consultants providing consultancy services to the Group									
	20,500	17 March 2017	2019 Vesting Date	2019 Vesting Date to 16 March 2023	HK\$11.48	-	-	(20,500)	-
	91,000	17 March 2017	2020 Vesting Date	2020 Vesting Date to 16 March 2023	HK\$11.48	-	-	(91,000)	-
	91,000	17 March 2017	2022 Vesting Date	2022 Vesting Date to 16 March 2023	HK\$11.48	-	-	(91,000)	-
	<u>202,500</u>					<u>-</u>	<u>-</u>	<u>(202,500)</u>	<u>-</u>

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

As at 30 June 2023, the Trustee maintained a pool of 1,778,000 shares (the “Entrusted Shares”) (31 December 2021: 1,778,000 shares) on trust for the Company and it will, at the direction of the Company, (i) transfer, assign or otherwise deal with the Entrusted Shares (other than to the Company); and (ii) account for all other incomes and sales proceeds to the Company.



As the 2007 Scheme had expired on 5 July 2017, no further options to subscribe for Shares, awards of Shares, or grants of Restricted Unit Awards may be granted or made under the 2007 Scheme from that date onwards. Accordingly, no share option was available for grant under the 2007 Scheme at the beginning (i.e. 1 January 2023) or the end (i.e. 30 June 2023) of the period under review and the date of this interim report.

No share options had been granted under the 2007 Scheme during the period under review. As at the date of this interim report, no share option was outstanding under the 2007 Scheme and hence no new Share was available for issue under the 2007 Scheme.

THE 2017 SCHEME

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

Purpose

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

Participants

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

Pursuant to the transitional arrangements prescribed by the Stock Exchange, with effect from 1 January 2023, among the classes of participants mentioned above, the Company may continue to grant share options under the 2017 Scheme only to those participants who fall within the definition of “eligible participants” under Chapter 17 of the Listing Rules, i.e. (a) Directors and employees of the Company or any of its subsidiaries (including persons who are granted share options under the 2017 Scheme as an inducement to enter into employment contracts with these companies); (b) directors and employees of the associated companies of the Company; and (c) persons who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group.

Maximum number of Shares

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

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

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

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

The total number of Shares that could be allotted and issued upon exercise of the options that remain available for grant under the General Scheme Limit as at the beginning (i.e. 1 January 2023) and the end (i.e. 30 June 2023) of the period under review, and as at the date of this interim report are as below:

Number of Shares that may be allotted and issued upon exercise of options		As at 1 January 2023	As at 30 June 2023	As at the date of this interim report
Options that may be granted under the General Scheme Limit	<i>(A)</i>	79,437,950	79,437,950	79,437,950
Options that had been granted	<i>(B)</i>	59,298,000	79,058,000	79,058,000
Options that had lapsed in accordance with the terms of the 2017 Scheme	<i>(C)</i>	7,818,000	7,985,000	8,346,000
Options that remain available for grant under the General Scheme Limit	<i>(A) - (B) + (C)</i>	27,957,950	8,364,950	8,725,950



Maximum entitlement of each participant

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

Grant of options to connected persons

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

Time of acceptance and exercise of option

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

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

Subscription price for Shares and consideration for the option

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

Period

The 2017 Scheme will remain in force for a period of 10 years commencing on 19 May 2017 and expire on 18 May 2027.

Under the 2017 Scheme, the following share options were granted:

Date of grant	Number of share options granted	
15 April 2020	2,700,000	the "April 2020 Share Options"
26 November 2020	17,163,000	the "November 2020 Share Options"
19 March 2021	19,695,000	the "March 2021 Share Options"
3 January 2022	19,740,000	the "January 2022 Share Options"
17 March 2023	19,760,000	the "March 2023 Share Options"

During the period under review, a total of 19,760,000 share options were granted and a total of 5,409,000 share options were lapsed under the 2017 scheme. The number of Shares that may be allotted and issued upon exercise of the share options granted under the 2017 Scheme during the period under review, i.e. the March 2023 Share Options, represented approximately 2.5% of the number of Shares in issue throughout the period under review, i.e. 793,978,500 Shares. As at 30 June 2023, 70,173,000 share options were outstanding (being the number of share options granted less the number of share options that had been exercised or cancelled (if any) or that had lapsed).

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

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

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

Notes:

1. The closing price of the Shares on 14 April 2020, the trading day immediately before the date on which the April 2020 Share Options were granted, was HK\$8.60 per Share. The April 2020 Share Options were granted after the market closed on 15 April 2020 on which the closing price was HK\$8.71 per Share.
2. 2022 Vesting Date refers to the business day immediately following the date of results announcement of the Company for the financial year ended 31 December 2021, i.e. 18 March 2022.
3. 2023 Vesting Date refers to the business day immediately following the date of results announcement of the Company for the financial year ended 31 December 2022, i.e. 17 March 2023.

November 2020 Share Options (date of grant: 26 November 2020) (Note 4)

Category of participants	Outstanding as at 1 January 2023	Vesting date	Exercise period	Exercise price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2023
Directors								
Chi Lo-Jen	316,500	26 November 2021	26 November 2021 to 25 November 2030	HK\$9.15	-	-	-	316,500
	316,500	26 November 2022	26 November 2022 to 25 November 2030	HK\$9.15	-	-	-	316,500
	316,500	26 November 2023	26 November 2023 to 25 November 2030	HK\$9.15	-	-	-	316,500
Chiang Yi-Min, Harvey	226,500	26 November 2021	26 November 2021 to 25 November 2030	HK\$9.15	-	-	-	226,500
	226,500	26 November 2022	26 November 2022 to 25 November 2030	HK\$9.15	-	-	-	226,500
	226,500	26 November 2023	26 November 2023 to 25 November 2030	HK\$9.15	-	-	-	226,500
Gillman Christopher Charles	226,500	26 November 2021	26 November 2021 to 25 November 2030	HK\$9.15	-	-	-	226,500
	226,500	26 November 2022	26 November 2022 to 25 November 2030	HK\$9.15	-	-	-	226,500
	226,500	26 November 2023	26 November 2023 to 25 November 2030	HK\$9.15	-	-	-	226,500
	<u>2,308,500</u>				<u>-</u>	<u>-</u>	<u>-</u>	<u>2,308,500</u>
Employees								
	3,795,500	26 November 2021	26 November 2021 to 25 November 2030	HK\$9.15	-	-	-	3,795,500
	3,795,500	26 November 2022	26 November 2022 to 25 November 2030	HK\$9.15	-	-	-	3,795,500
	3,795,500	26 November 2023	26 November 2023 to 25 November 2030	HK\$9.15	-	-	(67,000)	3,728,500
	<u>11,386,500</u>						<u>(67,000)</u>	<u>11,319,500</u>

Note:

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

March 2021 Share Options (date of grant: 19 March 2021) (Note 5)

Category of participants	Outstanding as at 1 January 2023	Vesting date	Exercise period	Exercise price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2023
Directors								
Chi Lo-Jen	500,000	19 March 2022	19 March 2022 to 18 March 2031	HK\$9.46	-	-	-	500,000
	500,000	19 March 2023	19 March 2023 to 18 March 2031	HK\$9.46	-	-	-	500,000
	500,000	19 March 2024	19 March 2024 to 18 March 2031	HK\$9.46	-	-	-	500,000
Chiang Yi-Min, Harvey	400,000	19 March 2022	19 March 2022 to 18 March 2031	HK\$9.46	-	-	-	400,000
	400,000	19 March 2023	19 March 2023 to 18 March 2031	HK\$9.46	-	-	-	400,000
	400,000	19 March 2024	19 March 2024 to 18 March 2031	HK\$9.46	-	-	-	400,000
Gillman Christopher Charles	150,000	19 March 2022	19 March 2022 to 18 March 2031	HK\$9.46	-	-	-	150,000
	150,000	19 March 2023	19 March 2023 to 18 March 2031	HK\$9.46	-	-	-	150,000
	150,000	19 March 2024	19 March 2024 to 18 March 2031	HK\$9.46	-	-	-	150,000
	<u>3,150,000</u>				<u>-</u>	<u>-</u>	<u>-</u>	<u>3,150,000</u>
Employees								
	4,620,000	19 March 2022	19 March 2022 to 18 March 2031	HK\$9.46	-	-	-	4,620,000
	4,620,000	19 March 2023	19 March 2023 to 18 March 2031	HK\$9.46	-	-	-	4,620,000
	4,620,000	19 March 2024	19 March 2024 to 18 March 2031	HK\$9.46	-	-	(20,000)	4,600,000
	<u>13,860,000</u>				<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>13,840,000</u>

Note:

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

January 2022 Share Options (date of grant: 3 January 2022) (Note 6)

Category of participants	Outstanding as at 1 January 2023	Vesting date	Exercise period	Exercise price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2023
Directors								
Chi Lo-Jen	500,000	3 January 2023	3 January 2023 to 2 January 2032	HK\$9.10	-	-	-	500,000
	500,000	3 January 2024	3 January 2024 to 2 January 2032	HK\$9.10	-	-	-	500,000
	500,000	3 January 2025	3 January 2025 to 2 January 2032	HK\$9.10	-	-	-	500,000
Chiang Yi-Min, Harvey	400,000	3 January 2023	3 January 2023 to 2 January 2032	HK\$9.10	-	-	-	400,000
	400,000	3 January 2024	3 January 2024 to 2 January 2032	HK\$9.10	-	-	-	400,000
	400,000	3 January 2025	3 January 2025 to 2 January 2032	HK\$9.10	-	-	-	400,000
Gillman Christopher Charles	150,000	3 January 2023	3 January 2023 to 2 January 2032	HK\$9.10	-	-	-	150,000
	150,000	3 January 2024	3 January 2024 to 2 January 2032	HK\$9.10	-	-	-	150,000
	150,000	3 January 2025	3 January 2025 to 2 January 2032	HK\$9.10	-	-	-	150,000
	<u>3,150,000</u>				<u>-</u>	<u>-</u>	<u>-</u>	<u>3,150,000</u>
Employees								
	4,960,000	3 January 2023	3 January 2023 to 2 January 2032	HK\$9.10	-	-	-	4,960,000
	4,960,000	3 January 2024	3 January 2024 to 2 January 2032	HK\$9.10	-	-	(40,000)	4,920,000
	4,960,000	3 January 2025	3 January 2025 to 2 January 2032	HK\$9.10	-	-	(40,000)	4,920,000
	<u>14,880,000</u>						<u>(80,000)</u>	<u>14,800,000</u>
Consultant providing consultancy services to the Group (Note 7)								
	15,000	3 January 2023	3 January 2023 to 2 January 2032	HK\$9.10	-	-	-	15,000
	15,000	3 January 2024	3 January 2024 to 2 January 2032	HK\$9.10	-	-	-	15,000
	15,000	3 January 2025	3 January 2025 to 2 January 2032	HK\$9.10	-	-	-	15,000
	<u>45,000</u>				<u>-</u>	<u>-</u>	<u>-</u>	<u>45,000</u>

Notes:

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

March 2023 Share Options (date of grant: 17 March 2023) (Note 8)

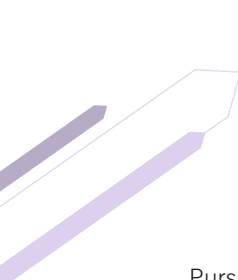
Category of participants	Outstanding as at 1 January 2023	Granted during the period	Vesting date	Exercise period	Exercise price	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2023
Directors									
Chi Lo-Jen	-	500,000	17 March 2024	17 March 2024 to 16 March 2033	HK\$7.65	-	-	-	500,000
	-	500,000	17 March 2025	17 March 2025 to 16 March 2033	HK\$7.65	-	-	-	500,000
	-	500,000	17 March 2026	17 March 2026 to 16 March 2033	HK\$7.65	-	-	-	500,000
Chiang Yi-Min, Harvey	-	400,000	17 March 2024	17 March 2024 to 16 March 2033	HK\$7.65	-	-	-	400,000
	-	400,000	17 March 2025	17 March 2025 to 16 March 2033	HK\$7.65	-	-	-	400,000
	-	400,000	17 March 2026	17 March 2026 to 16 March 2033	HK\$7.65	-	-	-	400,000
Gillman Christopher Charles	-	150,000	17 March 2024	17 March 2024 to 16 March 2033	HK\$7.65	-	-	-	150,000
	-	150,000	17 March 2025	17 March 2025 to 16 March 2033	HK\$7.65	-	-	-	150,000
	-	150,000	17 March 2026	17 March 2026 to 16 March 2033	HK\$7.65	-	-	-	150,000
		3,150,000				-	-	-	3,150,000
Employees		5,420,000	17 March 2024	17 March 2024 to 16 March 2033	HK\$7.65	-	-	-	5,420,000
		5,420,000	17 March 2025	17 March 2025 to 16 March 2033	HK\$7.65	-	-	-	5,420,000
		5,770,000	17 March 2026	17 March 2026 to 16 March 2033	HK\$7.65	-	-	-	5,770,000
		16,610,000						-	16,610,000

Notes:

8. The closing price of the Shares on 16 March 2023, the trading day immediately before the date on which the March 2023 Share Options were granted, was HK\$7.46 per Share. The March 2023 Share Options were granted after the market closed on 17 March 2023 on which the closing price was HK\$7.65 per Share. The share options granted were not subject to satisfaction of any performance target. Please refer to note 16 (share-based payment transactions) to the interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2023 in this interim report for the fair value of the March 2023 Share Options as at the date of grant and the accounting standard and policy adopted.

All share options

Category of participants	Outstanding as at 1 January 2023	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period	Outstanding as at 30 June 2023
Directors						
Chi Lo-Jen	3,949,500	1,500,000	-	-	-	5,449,500
Chiang Yi-Min, Harvey	3,079,500	1,200,000	-	-	-	4,279,500
Gillman Christopher Charles	1,579,500	450,000	-	-	-	2,029,500
Employees	41,926,500	16,610,000	-	-	(167,000)	58,369,500
Consultants providing consultancy services to the Group	45,000	0	-	-	-	45,000
	50,580,000	19,760,000	-	-	(167,000)	70,173,000



Pursuant to the terms of the 2017 Scheme, the total number of Shares which may be issued upon exercise of all share options (excluding, for this purpose, share options which have lapsed in accordance with the terms of the 2017 Scheme and any other share option scheme of the Group) to be granted under the 2017 Scheme and any other share option scheme of the Group must not in aggregate exceed 79,437,950 Shares, representing 10% of the number of Shares in issue as at the date of approval of the 2017 Scheme, i.e. 19 May 2017. After deducting the number of share options granted under the 2017 Scheme that had already been exercised or cancelled (if any), as at the date of this interim report, the number of new Shares available for issue under the 2017 Scheme was 78,537,950 Shares, representing approximately 9.9% of the issued Shares.

SHARE AWARD PLAN

On 16 March 2017, the Company adopted a share award plan (the “Plan”) for the purposes of recognising and rewarding the contribution of eligible participants to the growth and development of the Group, giving incentives to eligible participants in order to retain them for the continual operation and development of the Group, and attracting suitable personnel for further development of the Group through awards of Shares. 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 from time to time be 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 interim report, no such separate approval had been sought from the Shareholders for the allotment and issue of new Shares to the Trustee. Accordingly, as at the date of this interim report, no new Share was available for issue under the Plan, and no award to be satisfied by allotment and issue of new Shares to the Trustee was 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 the beginning (i.e. 1 January 2023) and the end (i.e. 30 June 2023) of the period under review and the date of this interim report, the number of Shares available to be awarded under the Plan was 19,849,462 Shares, based on the number of Shares in issue as at 1 January 2023 and given that no award of Shares had been granted under the Plan. 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) and 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 interim report, no award of Shares had been granted under the Plan, and no trustee had 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 reporting period.

REVIEW OF ACCOUNTS BY AUDIT COMMITTEE

The audit committee of the Board has reviewed the 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 of the Board has also discussed with the Company's management regarding risk management, internal control and other related matters.

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

Hong Kong, 17 August 2023

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

CHEN Li-Ming, Lawrence, *Chairman*
CHI Lo-Jen, *Chief Executive Officer*
GILLMAN Charles Christopher
CHIANG Yi-Min, Harvey

Independent Non-Executive Directors

BOLLIGER Peter
CHAN Fu Keung, William, *BBS*
YUE Chao-Tang, Thomas
SHI Nan Sun
WAN Sin Yee, *Sindy (appointed on 16 March 2023)*
CHEN Johnny *(retired on 11 May 2023)*

AUDIT COMMITTEE

YUE Chao-Tang, Thomas, *Chairman*
CHAN Fu Keung, William, *BBS*
WAN Sin Yee, *Sindy (appointed on 16 March 2023)*
CHEN Johnny *(retired on 11 May 2023)*

CORPORATE GOVERNANCE COMMITTEE

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

EXECUTIVE COMMITTEE

CHI Lo-Jen, *Chairman*
CHEN Li-Ming, Lawrence
GILLMAN Charles Christopher
CHIANG Yi-Min, Harvey

NOMINATION COMMITTEE

WAN Sin Yee, *Sindy (appointed on 16 March 2023),
Chairman*
BOLLIGER Peter
CHAN Fu Keung, William, *BBS*
YUE Chao-Tang, Thomas
SHI Nan Sun
CHEN Johnny *(retired on 11 May 2023)*

REMUNERATION COMMITTEE

CHAN Fu Keung, William, *BBS, Chairman*
YUE Chao-Tang, Thomas
WAN Sin Yee, *Sindy (appointed on 16 March 2023)*
CHEN Johnny *(retired on 11 May 2023)*

AUTHORISED REPRESENTATIVES

CHI Lo-Jen
KAN Siu Yim, Katie

CHIEF FINANCIAL OFFICER

TAM Siu Ming, Andrew

COMPANY SECRETARY

KAN Siu Yim, Katie

LEGAL ADVISER

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

AUDITORS

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

REGISTERED OFFICE

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Grand Cayman KY1-1111, Cayman Islands

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

Incorporated in the Cayman Islands with limited liability
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