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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1836)**

# INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

**Highlights:**

- Revenue increased by 36% to US$695.5 million year-on-year due to a recovery of orders and a low base last year, which was heavily impacted by the COVID-19 pandemic
- Net profit recovered to US$32.2 million, a turnaround from a net loss of US$5.2 million for the same period of last year
- Enhancing customer portfolio and adding new customers in Luxury category, which resulted in higher product development cost
- Continued investment in Indonesia as part of long-term margin expansion & diversification strategy
- Declared interim dividend of HK21 cents, representing a payout ratio of about 70%

* *For identification purpose only*

The board (the "Board") of directors (the "Directors") of Stella International Holdings Limited ("Stella" or the "Company") is pleased to announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2021 (the "period under review" or the "six months under review"), together with the comparative figures for the corresponding period in 2020 as follows:

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

*For the six months ended 30 June 2021*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2021** | 2020 |
| | *Notes* | ***US$'000*** | *US$'000* |
| | | **(Unaudited)** | (Unaudited) |
| REVENUE | *4* | **695,465** | 511,474 |
| Cost of sales | | **(556,421)** | (426,725) |
| Gross profit | | **139,044** | 84,749 |
| Other income | | **6,632** | 9,311 |
| Other gains and losses, net | | **(8,872)** | (5,780) |
| Selling and distribution expenses | | **(20,462)** | (18,519) |
| Administrative expenses | | **(78,341)** | (70,309) |
| Impairment losses on financial assets, net | | **(4,886)** | (3,137) |
| Share of profit of a joint venture | | **3,234** | 1,541 |
| Share of loss of an associate | | **–** | (1,247) |
| Operating profit/(loss) before changes in fair value of financial instruments | | **36,349** | (3,391) |
| Net fair value gain/(loss) on financial instruments | | **7** | (84) |
| Operating profit/(loss) after changes in fair value of financial instruments | | **36,356** | (3,475) |
| Interest income | | **518** | 222 |
| Interest expense | | **(186)** | (312) |
| PROFIT/(LOSS) BEFORE TAX | *5* | **36,688** | (3,565) |
| Income tax expense | *6* | **(4,477)** | (1,681) |
| PROFIT/(LOSS) FOR THE PERIOD | | **32,211** | (5,246) |

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

*For the six months ended 30 June 2021*

| | Note | Six months ended 30 June **2021** *US$'000* (Unaudited) | 2020 *US$'000* (Unaudited) |
|---|---|---|---|
| **OTHER COMPREHENSIVE INCOME/(LOSS)** | | | |
| *Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:* | | | |
| Exchange differences on translation of foreign operations | | **4,290** | (4,051) |
| OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX | | **4,290** | (4,051) |
| TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD | | **36,501** | (9,297) |
| Profit/(loss) attributable to: | | | |
| Owners of the parent | | **31,132** | (5,247) |
| Non-controlling interests | | **1,079** | 1 |
| | | **32,211** | (5,246) |
| Total comprehensive income/(loss) attributable to: | | | |
| Owners of the parent | | **35,641** | (9,299) |
| Non-controlling interests | | **860** | 2 |
| | | **36,501** | (9,297) |
| EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | *8* | | |
| – Basic (in HK cents) | | **30.47** | (5.12) |
| (equivalent to US cents) | | **3.93** | (0.66) |
| – Diluted (in HK cents) | | **30.44** | (5.12) |
| (equivalent to US cents) | | **3.93** | (0.66) |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2021*

| | Notes | **30 June 2021 US$'000 (Unaudited)** | 31 December 2020 US$'000 (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **403,909** | 411,607 |
| Investment properties | | **4,656** | 5,009 |
| Right-of-use assets | | **44,864** | 45,573 |
| Investment in a joint venture | | **34,389** | 31,155 |
| Investments in associates | | **672** | 672 |
| Deposits for acquisition of property, plant and equipment | | **913** | 4,575 |
| Deposit for acquisition of a subsidiary | | **25,600** | 25,600 |
| Pledged bank deposits | | **5,462** | – |
| Total non-current assets | | **520,465** | 524,191 |
| **CURRENT ASSETS** | | | |
| Inventories | | **219,361** | 184,998 |
| Trade receivables | *9* | **348,634** | 265,309 |
| Prepayments, deposits and other receivables | | **47,045** | 66,302 |
| Financial assets at fair value through profit or loss | *10* | **95** | 88 |
| Cash and cash equivalents | | **76,631** | 108,667 |
| Total current assets | | **691,766** | 625,364 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | *11* | **88,368** | 77,280 |
| Other payables and accruals | *12* | **95,498** | 86,909 |
| Interest-bearing bank borrowings | | **263** | 2,893 |
| Lease liabilities | | **4,773** | 4,438 |
| Tax payable | | **39,927** | 38,974 |
| Total current liabilities | | **228,829** | 210,494 |
| **NET CURRENT ASSETS** | | **462,937** | 414,870 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **983,402** | 939,061 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

*At 30 June 2021*

| | **30 June 2021** | 31 December 2020 |
|---|---|---|
| | ***US$'000*** | *US$'000* |
| | **(Unaudited)** | (Audited) |
| **NON-CURRENT LIABILITIES** | | |
| Interest-bearing bank borrowings | **7,561** | – |
| Lease liabilities | **14,696** | 15,222 |
| Total non-current liabilities | **22,257** | 15,222 |
| Net assets | **961,145** | 923,839 |
| **EQUITY** | | |
| Equity attributable to owners of the parent | | |
| Share capital | **10,143** | 10,165 |
| Share premium and reserves | **950,945** | 914,422 |
| | **961,088** | 924,587 |
| Non-controlling interests | **57** | (748) |
| Total equity | **961,145** | 923,839 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 June 2021*

| | Notes | Six months ended 30 June<br>**2021**<br>***US$'000***<br>**(Unaudited)** | <br>2020<br>*US$'000*<br>(Unaudited) |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit/(loss) before tax | | **36,688** | (3,565) |
| Depreciation of property, plant and equipment | *5* | **24,411** | 20,924 |
| Depreciation of investment properties | *5* | **398** | 351 |
| Depreciation of right-of-use assets | *5* | **2,872** | 1,402 |
| Other adjustments | | **(1,159)** | 4,909 |
| Operating cash inflows | | **63,210** | 24,021 |
| Changes in working capital | | **(68,654)** | 3,347 |
| Other operating cash flows | | **(3,864)** | (2,218) |
| **Net cash flows (used in)/from operating activities** | | **(9,308)** | 25,150 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received | | **518** | 222 |
| Purchases of items of property, plant and equipment | | **(21,622)** | (23,706) |
| Acquisition of right-of-use assets | | **–** | (244) |
| Deposit paid for acquisition of items of property, plant and equipment | | **(115)** | (1,455) |
| Proceeds from disposal of property, plant and equipment | | **8** | 634 |
| Increase in pledged bank deposit | | **(5,462)** | – |
| Deposit paid for acquisition of a subsidiary | | **–** | (16,200) |
| Net cash flows used in investing activities | | **(26,673)** | (40,749) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| New bank loans | | **5,000** | 167,460 |
| Repayment of bank loans | | **–** | (118,881) |
| Dividends paid | | **–** | (46,137) |
| Interest paid | | **(186)** | (185) |
| Principal portion of lease payments | | **(2,263)** | (865) |
| Shares repurchase | | **(1,300)** | – |
| Net cash flows from financing activities | | **1,251** | 1,392 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

*For the six months ended 30 June 2021*

| | Six months ended 30 June | |
|---|---|---|
| | **2021** | 2020 |
| | ***US$'000*** | *US$'000* |
| | **(Unaudited)** | (Unaudited) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | **(34,730)** | (14,207) |
| **Cash and cash equivalents at beginning of period** | **108,667** | 68,061 |
| **Effect of foreign exchange rate changes, net** | **2,694** | 872 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | **76,631** | 54,726 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | |
| **Cash and bank balances** | **82,093** | 54,726 |
| **Less: Pledged bank deposits with original maturity of more than three months when acquired** | **(5,462)** | – |
| **Cash and cash equivalents** | **76,631** | 54,726 |

## NOTES:

### 1. BASIS OF PREPARATION

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

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

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

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

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

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

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

## 3. OPERATING SEGMENT INFORMATION

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

- the manufacturing segment engages in the sale and manufacture of footwear and handbag

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

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

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

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

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

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

3. **OPERATING SEGMENT INFORMATION (Continued)**

**Six months ended 30 June 2021 (Unaudited)**

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

## 3. OPERATING SEGMENT INFORMATION (Continued)

**Six months ended 30 June 2020 (Unaudited)**

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

## 3. OPERATING SEGMENT INFORMATION (Continued)

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

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

## 4. REVENUE

An analysis of revenue is as follows:

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

## 4. REVENUE (Continued)

**Disaggregated revenue information for revenue from contracts with customers**

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

**Segments**

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

## 4. REVENUE (Continued)

**Disaggregated revenue information for revenue from contracts with customers (Continued)**

**For the six months ended 30 June 2020 (Unaudited)**

**Segments**

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

## 5. PROFIT/(LOSS) BEFORE TAX

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

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

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

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

## 6. INCOME TAX

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

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2020: 16.5%) on the estimated assessable profits arising in Hong Kong during the six months ended 30 June 2021, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2020: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Macau Complementary Tax has been provided at the rate of 12% (six months ended 30 June 2020: 12%) on the estimated assessable profits arising in Macau during the six months ended 30 June 2021. Pursuant to the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, Stella International Trading (Macao Commercial Offshore) Limited ("SIT (MCO)"), a wholly-owned subsidiary of the Group, is entitled to the exemption of Macau Complementary Tax, which is valid to 31 December 2020. Macau Complementary Tax had been provided at progressive rates up to 12% on the estimated assessable profits arising in Macau.

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

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

## 7. DIVIDENDS

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

On 19 August 2021, the board of directors declared an interim dividend of HK21 cents per ordinary share, amounting to approximately US$21,371,000.

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

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

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

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

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

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

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

## 9. TRADE RECEIVABLES

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

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

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

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

## 10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

## 11. TRADE PAYABLES

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

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

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

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

## 12. OTHER PAYABLES AND ACCRUALS

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

*Notes:*

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

(b) The financial guarantee contracts represent guarantees given to banks in connection with facilities granted to an associate. The associate's banking facilities granted by the banks were US$15,000,000 (31 December 2020: US$15,000,000), of which US$5,000,000 (31 December 2020: US$5,000,000) was utilised by the associate. The Group does not hold any collateral or other credit enhancements over the guarantee.

The Group does not provide financial guarantees except for limited circumstances. All guarantees are approved by the Group's Chief Financial Officer in accordance with the authorised limits and conditions as approved by the Company's Board of Directors.

## CHAIRMAN'S STATEMENT

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

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

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

The Board is pleased to present the interim results of the Group for the six months ended 30 June 2021.

### Business Review

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

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

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

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

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

### Revenue

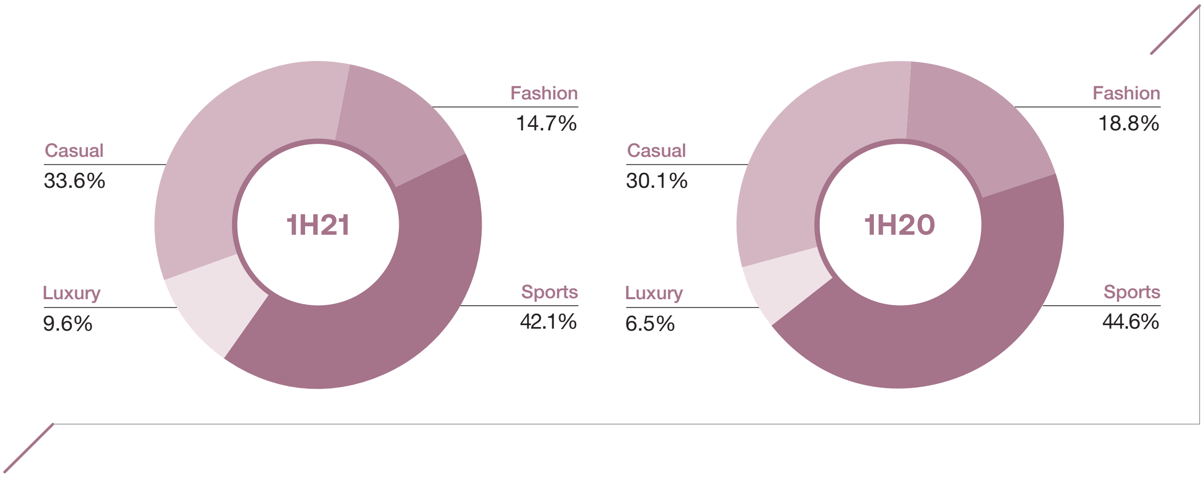
The Group's consolidated revenue for the six months ended 30 June 2021 increased by 36.0% to US$695.5million, compared to US$511.5 million in the same period of last year. This was mainly attributable to a low base, as the first six months of 2020 was heavily impacted by the COVID-19 pandemic, as well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

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

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

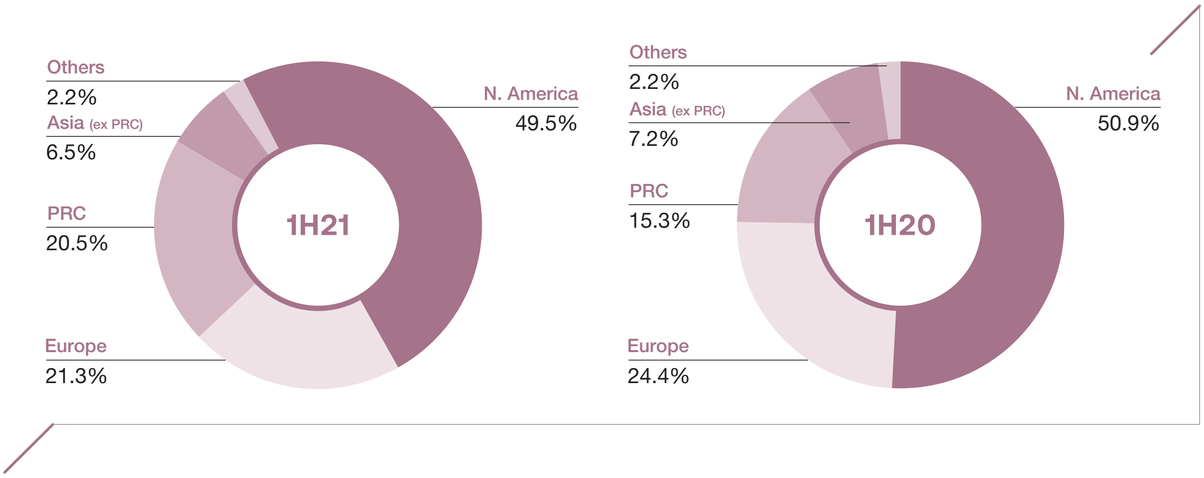
Demand for our Casual footwear category recovered strongly as demand normalised in the first half of 2021, increasing 51.3% year-on-year and accounting for 33.6% (first half of 2020: 30.1%) of total manufacturing revenue. Meanwhile, our Fashion products recovered at a slower pace, increasing 5.7% year-on-year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

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



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

**Group Revenue by Geography for First Half of 2021 & 2020**




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

**Gross profit**

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

**Operating profit**

Our reported operating profit[1] for the period under review was US$36.3 million, compared to a reported operating loss[1] of US$3.4 million in the same period of last year. The return to profit was supported by the recovery in revenue and shipment volumes, better operating leverage and increased production efficiency at some divisions. This was partially offset by higher product development costs related to our new Luxury customers (who are seeking new styles and complex products), costs associated with exiting customers to enhance our customer portfolio, and one-off costs that amount to US$4.8 million (mainly severance payments related to factory closures).

Excluding the one-off costs of US$4.8 million, the non-GAAP adjusted operating profit[2] for the Group during the period under review was US$41.1 million, compared to an adjusted operating profit[2] of US$10.9 million in the same period of last year. The adjusted recurring operating margin would be 5.9%, compared to 2.1% in the same period of last year.

**Net results**

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

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

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

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

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

The Group continuously assesses the credit risk of our customer portfolio to reduce its risk exposure. As a result of our dedicated efforts in managing credit risk and cash flow, the Group posted a net cash position of US$68.8 million as at 30 June 2021, compared to a net cash position of US$3.1 million as at 30 June 2020. Therefore, the Group's net gearing ratio[3] was -7.2%, as at 30 June 2021 compared to -0.3% as at 30 June 2020.

**Outlook**

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

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

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

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

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

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[3] Net gearing ratio = net debt/shareholder equity.

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

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

**Cash Return to Shareholders**

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

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

**Liquidity, Financial Resources and Capital Structure**

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

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

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

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

## Bank Borrowings

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

The Group maintained a net cash position of US$68.8 million as at 30 June 2021 (31 December 2020: US$105.8 million; 30 June 2020: US$3.1 million). Therefore, the Group's net gearing ratio[3] was -7.2% as at 30 June 2021 compared to -0.3% as at 30 June 2020.

## Foreign Currency Exposure

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

## Pledge Of Assets

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

## Contingent Liabilities

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

## Major Customers and Suppliers

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

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

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[3] Net gearing ratio = net debt/shareholder equity.

**Employees**

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

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

## EVENTS AFTER THE REPORTING PERIOD

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

## REVIEW OF ACCOUNTS BY AUDIT COMMITTEE

The audit committee of the Board has reviewed the interim results of the Group, including the accounting treatment adopted by the Company for the six months ended 30 June 2021, with no disagreement.

## INTERIM DIVIDEND

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

## CORPORATE GOVERNANCE

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

### Governance Model

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

### Model Code for Securities Transactions by Directors (the "Model Code")

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

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

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

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

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

Hong Kong, 19 August 2021

*As at the date of this announcement, the executive Directors are Mr. Chen Li-Ming, Lawrence and Mr. Chi Lo-Jen; the non-executive Directors are Mr. Chiang Jeh-Chung, Jack and Mr. Chao Ming-Cheng, Eric; and the independent non-executive Directors are Mr. Chen Johnny, Mr. Bolliger Peter, Mr. Chan Fu Keung, William, BBS, Mr. Yue Chao-Tang, Thomas, Mr. Lian Jie and Ms. Shi Nan Sun.*