Annual Report **2020**

Stella International Holdings Limited

Stock Code: 1836

MISSION STATEMENT

OUR CORE VALUES

Stella is dedicated to providing our customers with a wide range of top quality and high-end footwear and leather goods. We are customer-driven and passionate about our business, and conscious of providing the best quality in everything we present to our customers. In addition to promoting these core values, the management philosophy of the Company is caring, respectfulness and discovery.

OUR MISSION:

MAKING THE BEST SHOES

Always seeking to fulfill our promise of delivering outstanding and unique footwear and leather goods, we are guided at all times by our unwavering motto of "making the best shoes" and missions of:

- We wish, within our selected business segments, to be the **preferred partner** for leather products and associated services, contributing to an **efficient and superior supply chain.**
- By being close to our customers we fulfill their needs with **innovative, cost effective and high quality solutions.** Through **empathy**, **responsiveness** and **dependability** we seek to earn their loyalty.
- Our culture attracts and nourishes individuals who are energetic, committed and have a **passion with a learning attitude** for our business.
- By striving **to be the best** in our business, we will deliver growth and value for our customers, employees and shareholders.

CONTENTS

CORPORATE STRUCTURE

MANUFACTURING

STELLA

BRANDING

Stella Luna   *What For*

STELLA is a leading developer and manufacturer of quality footwear and leather goods and was listed on The Stock Exchange of Hong Kong Limited on 6 2007. We offer our brand clients a one-stop shop that combines design, commercialisation and manufacturing.

Since 1982, Stella has developed strong working relationships with, and has produced quality shoes for, many global brand names. Our constantly expanding product range includes high-quality and best-in-class footwear products designed for the fashion, luxury, sports, athleisure and premium casual sectors. Our client base includes the world-leading sportswear and casual footwear brands, namely, Hoka One One, Nike, OOFOS, Saucony, Under Armour, Johnson & Murphy, Merrell, Sperry, Teva, Timberland, UGG and Vionic, as well as leading brands in fashion footwear, such as Cole Haan, Everlane, Kate Spade, Michael Kors and Tory Burch.

We also design, develop and manufacture footwear for a number of high-fashion icons, such as 3.1 Phillip Lim, Alexander Wang, Balenciaga, Balmain, Maison Margiela, Off-White, Prada and Stella McCartney.

By leveraging our manufacturing expertise and the wide acceptance of Stella's products and industry recognition, we launched our branding business in 2006 under our own brands, *Stella Luna and What For*, which have successfully expanded into China and Europe's footwear retail markets.

We have also started to penetrate into the handbag market and position ourselves as a total solution provider for leather products to premium customers. By leveraging our strong customer base, as well as our leather product experience, we are further investing in our design and development capability to provide a wide range of leather accessories to our customers.

MILESTONES

1982

Founded in Taiwan by Jimmy Chen, Jack Chiang and Eric Chao to produce fashion footwear for US retail customers

1991

Commenced China operations with the establishment of the Stella Footwear Factory in Changan, Dongguan, China

1995

Established Seville Footwear Factory in Changan, Dongguan for casual footwear for leading brands like Clarks, Rockport, Timberland and Wolverine

1998

Entered into an exclusive supply arrangement with Golden Star Company Limited for the manufacture of casual footwear in Vietnam

2010

Diversified into inland China

2011

Retail network of *Stella Luna* exceeded 220 points of sales

2012

Expanded our casual footwear production lines in Indonesia

Opened *Stella Luna* Store in Paris

2013

Opened *What For* Store in Paris

2014

Established footholds in the Philippines to expand our footprint in South East Asia

PRIVATE LABEL › CASUAL • FASHION › LUXURY • ATHLEISURE • SPORTS

COMPONENTS MANUFACTURING › ASSEMBLY › DESIGN & DEVELOPMENT › BRANDING/ RETAIL

1999

Established Selena Footwear Factory in Dongguan, China for expansion into premium women's footwear

2004

Developed and manufactured footwear for high-end brands

2006

Launched *Stella Luna* flagship store in Shanghai

2007

6 July 2007 Listed on The Stock Exchange of Hong Kong Limited

July 2007 Expanded our branding capabilities with the launch of our contemporary lifestyle footwear brand *What For* in China

2009

Opened *Stella Luna* Store in Dubai Mall in July

2015

Completion of inland China migration strategy - securing more stable labour supply and costs at Italian quality

2016

Retail brand *Stella Luna* entered new markets, including Hong Kong and the United States through renowned department stores such as Lane Crawford and Madison

2018

Factory dedicated to sports footwear in Vietnam commenced production

2019

Concluded smooth management succession with Lawrence Chen appointed Chairman and Chi Lo-Jen appointed CEO

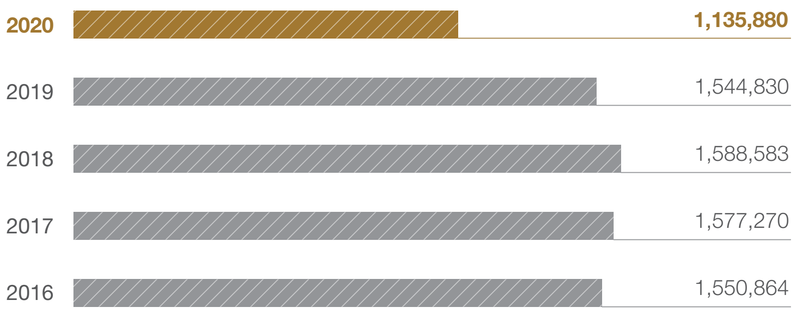
2020

Consolidated R&D operations to enhance product design and development capabilities and innovation

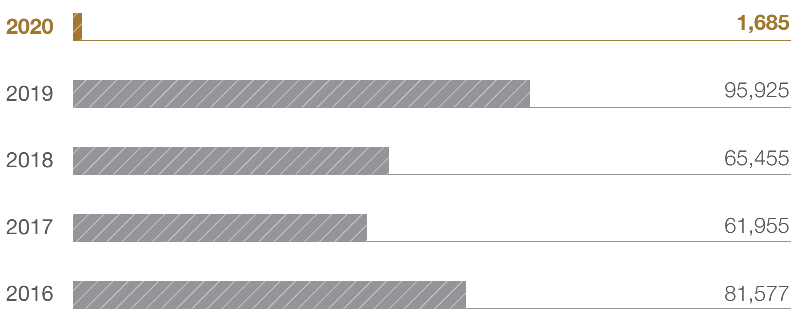
Unveiled Phase II of the sports-footwear-dedicated factory in Vietnam

REVENUE AND PROFIT TRENDS

Revenue
US$'000



Net profit attributable to shareholders
US$'000



OUR MISSION: MAKING THE BEST SHOES

Dear Shareholders,

The COVID-19 pandemic had a profound impact on our operations in 2020. It hit global footwear retailers hard, leading to a significant reduction in orders especially in the first half of the year. In the midst of this unprecedented global crisis, we prioritised our risk control by implementing a scorecard system to assess the financial health of our customer portfolio, signing a committed credit facility to ensure we have ample liquidity, reallocating production across factories to address COVID-19 driven lockdowns, and streamlining our operations across functions to safeguard our competitive cost base.

Retail store shutdowns and the inability to sell their merchandise led many retailers to experience a liquidity crunch in the first half of 2020. This liquidity crunch also put pressure on the supply chain as payment terms were temporarily extended. In light of this, we created a customer scorecard to assess the financial health of our customer portfolio and identify areas with high-risk exposure. Based on this assessment, we quickly worked with our customers to facilitate their liquidity flow in the supply chain using various financing and insurance programs. Furthermore, we expanded our uncommitted credit facility by signing an additional US$85 million committed credit facility to reach a total of over US$270 million which we did not need to draw down in 2020, to ensure we could withstand an even more serious disruption.

Securing the safety of our employees during the pandemic was another top priority. This included the temporary closure of our factories to comply with local government efforts to contain the spread of the virus. However, the impact of this was partially mitigated by the geographic diversity of our manufacturing footprint. This meant that our factories were not all shut down at the same time, allowing us to effectively reallocate orders among factories and deliver our promises to customers.

To position our production on a more cost-competitive basis, we accelerated the pace of factory closures that we were undergoing in Mainland China – a decision that sets us up well for expanding our margins in the coming years. We also temporarily scaled-back our production capacity in Southeast Asia to match the lower-order environment to stem its impact on our margins as much as possible.

We also made effective changes to enhance the operation and management of our business. We reorganised our internal management structure including merging several manufacturing divisions into one centralised and streamlined unit, and consolidating our R&D centres for fashion, luxury and casual footwear. The new structure will bring together the complementary skills, know-how and experiences of our managers in a way that greatly sharpens our overall capabilities and efficiency, as well as our ability to add value to our customers. It will also better support our future strategic development by recognising the changes taking place in the footwear market.

All of this will serve us well post-COVID-19. The impact of the pandemic in 2020 was tamer on brands with a strong online presence and the industry as a whole is taking note of this. The growing athleisure trend and the increasing popularity of limited-edition footwear collections will continue well into the future. This plays into Stella's long-standing strengths.

More and more brands will seek shorter lead times and smaller batches – essential requirements for them to compete in the faster-changing e-commerce space and both areas where Stella is very competitive. At the same time, luxury and fashion brands are keen to emulate the success that major sports brands have had in developing sports crossover ranges. We are one of the few supply chain partners with the know-how and proven R&D and commercialisation capabilities to assist them in achieving this.

We intend to grow our reach in the sports, luxury and fashion segments to optimise our product mix. We will also further drive up our operational efficiency by completing the reallocation of our manufacturing capacity to Southeast Asia and bringing our new factory in Indonesia online by the end of 2021. In the long-term, we will also seek to expand our synergies with luxury and fashion brands by scaling-up and commercialising the manufacturing of fashion accessories and leather goods such as handbags.

I am confident that we are on a strong path for growing our business and delivering sustainable returns and value to our shareholders. On behalf of the Board, I would also like to thank our customers, business partners, employees and shareholders for their support and trust in a very challenging year. I wish all of our stakeholders a happier and healthier year in 2021.

Chen Li-Ming, Lawrence
Chairman
Hong Kong, 18 March 2021

TARGET GROWTH IN SPORTS, LUXURY AND FASHION FOOTWEAR

MANAGEMENT DISCUSSION AND ANALYSIS

The Board of Directors (the “Board”) of Stella International Holdings Limited (“Stella” or the “Company”) is pleased to present the annual report of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020.

BUSINESS MODEL AND STRATEGY

In 1982, Stella embarked on a simple mission of “making the best shoes”. Today, this mission is still the core DNA of our business. Every day, we create value for our customers in ways unmatched by our competitors through our unrivalled reputation for high quality footwear design, product development and manufacturing.

We insist on being a true partner for our customers, offering unparalleled product design and commercialisation capabilities, as well as ‘artisan-level’ craftsmanship and an uncompromising commitment to quality that matches any footwear produced in Europe. We also possess the ability, flexibility, knowledge and skills required to cater to numerous customer groups – from high-fashion brands to the world’s largest sports brands, from casual brands to cult brands with limited collections. We are widely known within the footwear industry for our speed-to-market and small-batch production flexibility, which has allowed us to become the ideal partner of many top-end designer brands and fashion brands, especially those increasing their focus on e-commerce.

Our unique proposition is supported by a broad, diverse and proven manufacturing base, located in China, Vietnam, Indonesia, the Philippines and Bangladesh. These diverse and well-established operational bases deliver the flexibility, skillsets and level-of-quality that meet every need of our customers.

We also showcase our design capability in producing best-in-class footwear with high-complexity to the world’s leading fashion brands through our own contemporary retail brand, Stella Luna, which has a retail presence in Europe’s major fashion capitals.

With a clear focus on improving our margin structure, we will concentrate on winning designs for differentiated and complex products with higher average selling price (“ASP”) by working closely with current and prospective customers, while continuously improving our production efficiency.

We are also committed to improving our operating profit margin and increasing returns to shareholders by expanding our production in Southeast Asia, improving our operational excellence and implementing robust cost controls. In addition, we are proactively carrying out lateral expansion strategies, including the design, product development and manufacturing of fashion accessories and leather goods such as handbags, to tap synergies and future sources of growth.

BUSINESS REVIEW

In 2020, our customers were hit hard by the unprecedented global COVID-19 pandemic with retail stores around the world being forced to temporarily shut down on government lockdown orders. The impact was especially acute in two of our major markets, the United States and Europe. This disruption led many of our customers to request the delay or cancellation of orders, particularly in the first half of the year. However, the situation gradually improved in the third and fourth quarters of the year, as the business of our customers started to recover and some customers sought to replenish their inventory levels after experiencing understocking ahead of the holiday season.

The pandemic also had a huge impact on global footwear production as a whole and we were not spared. At various times throughout the first few months of the year, some of our factories in Mainland China, the Philippines and Bangladesh were forced to temporarily close to comply with preventive measures implemented by local governments to curb the spread of COVID-19. This had some negative impact on our production schedule and profitability.

Despite these challenges, we made further progress in implanting our margin-accretive strategy, including permanently closing factories in China and accelerating our capacity migration to Southeast Asia. Orders for our sports footwear[1], which is currently one of our main growth drivers, also proved relatively resilient given the challenging conditions being faced by all our brand partners.

The key financial performance indicators of the Company include revenue growth, gross profit and operating profit. An analysis of these indicators during the year ended 31 December 2020 are as below:

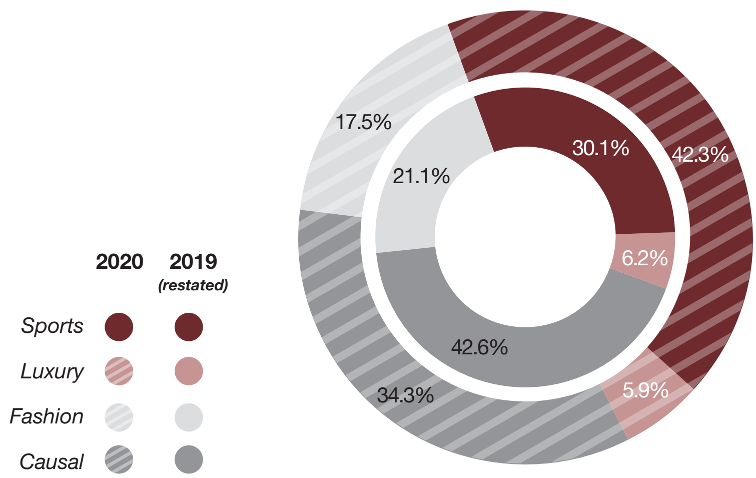
Revenue

The Group's consolidated revenue for the year declined by 26.5% to US$1,135.9 million (2019: US$1,544.8 million), while shipment volumes for the year declined 26.9% to 43.4 million pairs (2019: 59.4 million pairs). The decline in revenue and shipment volumes was attributable to decreased demand from our brand customers due to the COVID-19 pandemic. The ASP of our footwear products was mostly flat at US$25.7 per pair (2019 US$25.8 per pair).

In terms of product categories[1], our Sports category was more resilient than others during the year under review. On a like-for-like basis, revenue attributed to the Sports category rose 2.2% year-on-year and accounted for 42.3% of total manufacturing revenue (2019: 30.1%), while revenue attributed to the Luxury category decreased by 30.9% year-on-year and accounted for 5.9% of total manufacturing revenue (2019: 6.2%). The revenue attributed to Fashion category declined 39.8% year-on-year and accounted for 17.5% of total manufacturing revenue (2019: 21.1%) and the revenue attributed to Casual category declined 41.5% year-on-year and accounted for 34.3% (2019: 42.6%) of total manufacturing revenue.

[1] Our previously 'Sports Fashion' category has now been split into two categories: 'Sports' and 'Luxury'. 'Sports' category includes fashionable sports footwear ranges developed for well-known sportswear brands, including limited edition/collectable product lines and cross-brands collaborations. 'Luxury' category is mostly athleisure footwear ranges designed and developed specifically for high-fashion. The Group also reclassified some of its customer brands in the Fashion and Casual categories into different product categories to better reflect their current brand positioning.

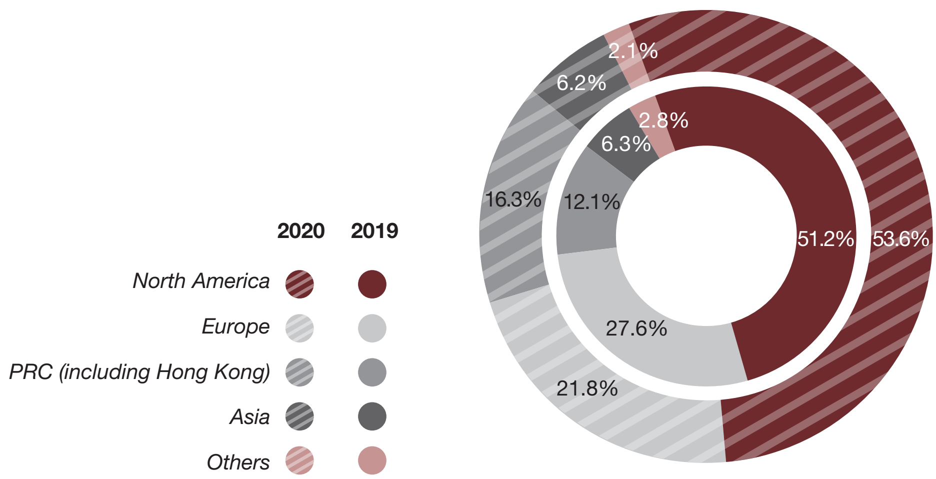
Manufacturing Revenue by Product Categories for 2020 & 2019



* Excluding sales from samples and others

Geographically, North America and Europe remain our two largest markets, accounting for 53.6% and 21.8% of our total revenue during the year under review. This was followed by the PRC (including Hong Kong), which accounted for 16.3%, Asia (other than the PRC), which accounted for 6.2% and other geographic regions, which accounted for 2.1%.

Group Revenue by Geographical Segments for 2020 & 2019



Our branding business, referring to the retail business in Europe and the wholesale business for our own branded footwear *Stella Luna*, saw revenue decline by 46.2% to US$16.6 million during the year under review. The fall in revenue was mainly attributed to the disruption to the retail market by the COVID-19 pandemic during 2020.

Gross profit

Our gross profit for the year under review declined by 31.3% to US$201.7 million (2019: US$293.6 million) as our brand customers reduced their orders and shipments as a result of the COVID-19 pandemic. Our gross profit margin declined to 17.8% due to changes in customer and product mix, lower utilisation at our manufacturing facilities as a result of the lower orders, and overhead costs related to temporary factory closures in Mainland China, the Philippines and Bangladesh.

Operating profit

For the year under review, we recorded a reported operating profit[2] of US$2.1 million (2019: US$102.8 million). The decline in operating profit was mostly attributed to the lower shipment volumes, operating deleverage and an increase in one-off costs.

These one-off costs included severance payments and impairment of property, plant and equipment made and incurred in connection with the permanent closure of factories in Mainland China as we accelerated our planned migration of production capacity to Southeast Asia; and overhead costs related to the factory suspensions in Mainland China, Philippines and Bangladesh resulting from COVID-19 during the year under review – the operations of our factories in Philippines and Bangladesh were suspended for more than one month respectively. These one-off costs were partially offset by one-time local government subsidies to support local employment and businesses in the PRC and one-off compensation resulting from the sale of land that was previously occupied by one of our closed factories.

We believe these net expenses are one-off in nature and not reflective of the underlying recurring business. If excluding the net one-off expenses mentioned above (and as listed in the table below), the non-GAAP adjusted operating profit[3] for the Group during the year under review would be adjusted to US$53.4 million and the adjusted recurring operating margin would be 4.7%.

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

3 Adjusted operating profit is a non-GAAP measure that refers to operating profit excluding one-off items, which mainly comprised of severance payments, overhead costs related to factory suspensions, PRC government subsidies related to COVID-19 and compensation received related to a land sale.

Reported Operating Profit[2]	US$2.1 million
Severance payments and other factory closure costs	US$52.5 million
Overhead costs related to factory suspensions resulting from COVID-19	US$2.7 million
PRC government subsidies related to COVID-19	US$(1.9) million
Compensation received related to a land sale	US$(2.0) million
TOTAL Net One-off Expenses	US$51.3 million
Adjusted Operating Profit[3]	US$53.4 million

Net results

Due to the factors outlined above, the Group recorded a net profit of US$1.1 million (2019: US$95.9 million) and an adjusted net profit of US$52.4 million for the year ended 31 December 2020 (2019: US$117.0 million).

Strong focus on credit risk and cash flow management to reinforce financial position

During the year under review, we conducted a credit risk assessment of our customer portfolio. Following this, we introduced a financial protection plan to reduce our exposure to high-risk customers. This included purchasing credit insurance, implementing a factoring program for accounts receivables and reducing inventory on hand for these customers through 'just-in-time' production management, among other measures.

Despite the challenges arising from the unprecedented pandemic and the US$46.1 million payment of our final dividend for the fiscal year 2019 during the year under review, our dedicated efforts in managing credit risk and cash flow helped the Group post a net cash position of US$105.8 million as of 31 December 2020 (2019: US$65.1 million). Therefore, the Group's net gearing ratio[4] was -11.5%, as of 31 December 2020 compared to -6.8% as of 31 December 2019.

During the year under review, net cash inflow increased to US$47.3 million from US$5.8 million for the year ended 31 December 2019.

OUTLOOK

In 2021, steady volume growth and margin improvement will be our main priorities. We are confident with our production in the first half of 2021. We expect our product mix, which was more heavily weighted to the Sports category during the year under review, will start to normalise as the Fashion, Luxury and Casual footwear categories rebound. However, order visibility for the second half of 2021 remains low – a period during which we ordinary see higher ASP and higher-margin product mix – with customers adopting a 'wait-and-see' approach as many countries around the world grappled with new COVID-19 driven lockdowns in January and February 2021.

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

3 Adjusted operating profit is a non-GAAP measure that refers to operating profit excluding one-off items, which mainly comprised of severance payments, overhead costs related to factory suspensions, PRC government subsidies related to COVID-19 and compensation received related to a land sale.

4 Net gearing ratio = net debt (cash and cash equivalents - debt) /shareholder equity.

We will continue to nurture promising opportunities that match our business model and our proven R&D and commercialisation capabilities, particularly those supporting the growth of our Sports and Luxury 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. Major sportswear brands are investing considerably in adding more limited edition / collectable product lines and cross-brands collaborations that have become one of their biggest profit drivers. 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.

We will also push forward with our long-term strategies. With a net cash position and total undrawn bank facilities of over US$270 million – a solid financial position that is more than sufficient to meet our current business need – we are comfortable about investing in the future. This includes bringing our new factory in Indonesia online later in 2021 and further realising the second phase expansion of our manufacturing facility dedicated for sports footwear in Vietnam. Both of these measures will improve our cost efficiency and competitiveness in the long-term. We also expect the streamlined manufacturing operations and the consolidated R&D centres for our Fashion, Luxury and Casual footwear to boost the efficiency.

We have also recently completed the integration of our handbag business into the listed Group. While it will be a few years before we see this business contribute materially to our overall profitability, we will pursue lateral growth over the long-term by capitalising on the synergies emerging from our broad and discerning high-end customer base.

We will also continue to implement new processes, policies and initiatives to improve our risk and cash flow management and safeguard our strong balance sheet to weather any new challenges that emerge from the COVID-19 pandemic and the global political and economic environments.

In addition, recent production shutdowns in Europe exposed the risk of concentrating supply chains in the region, which may encourage high-fashion brands to consider diversifying their supply chains out of Europe. As the largest premium footwear manufacturer in Asia, Stella offers proven product quality that is comparable to European peers, leaving us well poised to benefit from these new business opportunities.

Similarly, COVID-19 will likely entrench a higher e-commerce sales ratio for fashion brands, pushing them to demand short order windows and small batch sizes to compete in the fast-changing online sales environment. We will concentrate on better leveraging our already-competitive short lead-time and small-batch production to attract more high-quality customers.

By capitalising on each of the above trends, we will continue to create value and generate higher returns for our shareholders. To this end, we will continue to maintain our strong communication with investors about our margin-expansion strategies. We were recently awarded the 'Best of Traditional Annual Reports' awards at the 2020 ARC Awards. As our profit and margins recover, we remain committed to returning profit to our shareholders in a prudent and responsible matter.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Despite the severe headwinds due to the pandemic, the Group retained its solid financial position. As at 31 December 2020, the Group had cash and cash equivalents of approximately US$108.7 million (31 December 2019: US$68.1 million) and total undrawn bank facilities of over US$270 million.

During the year under review, cash generated from operations was US$170.5 million (2019: US$223.5 million), representing a decrease of 23.7%.

Net cash outflows used in investing activities were US$71.3 million during the year under review (2019: US$66.3 million), representing an increase of 7.5%. Capital expenditure amounted to approximately US$51.6 million during the year under review (2019: US$73.0 million).

As at 31 December 2020, the Group had current assets of approximately US$625.4 million (31 December 2019: US$659.9 million) and current liabilities of approximately US$210.5 million (31 December 2019: US$166.7 million). The current ratio (which is calculated on the basis of current assets over current liabilities) was 3.0 as at 31 December 2020 (31 December 2019: 4.0), an indication of the Group's high liquidity and healthy financial position.

BANK BORROWINGS

The Group had bank borrowings of US$2.9 million as at 31 December 2020 (31 December 2019: US$3.0 million).

The Group maintained a net cash position of US$105.8 million as of 31 December 2020 (2019: US$65.1 million). Therefore, the Group's net gearing ratio[4] was -11.5%, as of 31 December 2020 from -6.8% as of 31 December 2019.

4 Net gearing ratio = net debt (cash and cash equivalents - debt) /shareholder equity.

FOREIGN CURRENCY EXPOSURE

During the year under review, 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 31 December 2020, the Group had pledged US$5.8 million of its assets (31 December 2019: US$5.6 million).

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no contingent liabilities (31 December 2019: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

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

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

EMPLOYEES

As at 31 December 2020, the Group had approximately 37,200 employees (31 December 2019: approximately 44,000). 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.

CASH RETURN TO SHAREHOLDERS

Given the COVID-19 pandemic and the consequential very challenging business circumstances in which the Group found itself in 2020, the Board does not recommend the declaration of an annual dividend for the year under review. Nevertheless, we have taken advantage of the price volatility of the equity markets in 2020 and repurchased 0.6 million outstanding shares at the weighted average price of HK$9.0 per share in 2020.


STELLA LUNA
STELLA LUNA

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ENSURE THE PROTECTION OF THE PLANET, SAFETY, HEALTH AND WELL-BEING OF OUR STAKEHOLDERS

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stella International Holdings Limited and its subsidiaries (the "Group", or "we/our") endeavour to achieve its mission of delivering outstanding and unique quality footwear, while fulfilling its responsibility as a good corporate citizen and supporting sustainability. To enable all stakeholders to an overview of our policy, measures and performance in the environmental, social and governance ("ESG") aspects, we prepared this ESG report (the "Report") in accordance with the ESG Reporting Guide ("ESG Guide") as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

With the Board's oversight in approving disclosures in this report, it covered all manufacturing locations, unless specified otherwise. Our manufacturing locations are located in the PRC, Vietnam, Indonesia, Bangladesh and Philippines for the period from 1 January 2020 to 31 December 2020 (the "Reporting Period", the "Financial Year", "2020 Financial Year"). The management and staff of different functions from our key subsidiaries were involved in the preparation of the Report, including assisting the Group to review its operations, identification of relevant ESG issues, and assessing their materiality to our business as well as to the stakeholders. The table below highlights the ESG issues which were determined to be material to the Group covered in the Report:

ESG Guide Reference		Material ESG Issues
A.	Environment	
A1.	Emissions	• Waste management
A2.	Use of Resources	• Use of energy, water and packaging materials
A3.	Environment and Natural Resources	• Environmental impact management
B.	Society	
B1.	Employment	• Responsible employer
B2.	Health and Safety	• Occupational health and safety
B3.	Development and Training	• Employee development and training
B4.	Labour Standards	• Prevention of child and forced labour
B5.	Supply Chain Management	• Supply chain environment management
B6.	Product Liability	• Product quality control and customer service quality
B7.	Anti-corruption	• Anti-bribery and anti-corruption
B8.	Community Investment	• Social contribution

A. ENVIRONMENTAL

Stella's growth and prosperity is dependent on its operation policy that are both environmentally sustainable and beneficial to our multiple stakeholders (including our employees, customers, business partners and the communities within which we work) and its ability to overcome complex challenges.

We recognise that we have the responsibility to ensure the protection of the planet, as well as the safety, health and well-being of our many stakeholders. This is Stella's "Corporate Social Responsibility ("CSR") Vision" and it is at the forefront of all our business practices, operations and development. It also underpins our continuous efforts to conduct business in an ethical and responsible manner, striving to extend our leadership among numerous industry players in respect of various areas other than financially. We also looks for continuous improvement in our collection and processing of the data for this report, in addition to our constant efforts in enhancing the efficiency in the consumption of the natural resources so as to reduce its impact to the environment.

Apart from placing strong emphasis on quality and research and development, we also require all departments to strictly observe and ensure their compliance with laws and regulations. Our Group has complied with the requirements as set out in local environmental protection laws and regulations (including but not limited to the Law of PRC on Environmental Protection (《中華人民共和國環境保護法》), the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), the Law of the PRC on Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》), the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), Guangdong Regulations on Prevention and Control of Environmental Pollution by Solid Wastes (《廣東省固體廢物污染環境防治條例》) and the relevant environmental protection laws and regulations in Indonesia (Hinder Ordinance)). There were no non-compliance cases in relation to environmental protection laws and regulations during the reporting period.

A1 Emissions

Waste management

The waste from the manufacturing segment of Stella are generally classified into hazardous waste and non-hazardous waste. The hazardous waste refers to the waste listed in the National Directory of Hazardous Waste《國家危險廢棄物名錄》, identified according to the standards and methods for hazardous waste stipulated by the PRC government authorities or those that are designated to be of hazardous nature by clients. Non-hazardous waste refers to solid waste other than hazardous waste.

The waste produced from our operations during the reporting period was as follows:

Type of waste	Total (Tonnes)	Intensity (in kg, per pair of shoes)
Hazardous waste	613	0.0140
Non-hazardous waste	9,235	0.2104

Higher amount of waste and its intensity recorded in 2020 compared to those of 2019 were resulted from the change of product mix, in particular, a higher proportion of new styles and related product samples.

In order to maximise the control on waste, handle waste properly and minimise waste pollution to the Company and its surroundings, we have implemented the following measures:

- Manage the source of waste produced. All non-hazardous waste and hazardous waste produced during manufacturing activities will be collected, sorted and moved to the designated temporary storage area by site operators;
- The waste produced by the activities in office, laboratory and living quarters is collected and stored by the respective department, and cleared by cleaning staff on a daily basis. Used lamps and batteries are stored in a dedicated location and collected by a special team;
- Leftovers of food and used oil in canteens are passed on to authorised agents for treatment and recycling;
- The waste management department is responsible for directing the transfer of waste from temporary stacking site to the waste warehouse for further treatment;
- Hazardous waste stored in the specialised waste warehouse is handled by licensed agents. Non-hazardous waste is recycled or reused if possible; those cannot be recycled are disposed of (either landfilled or incinerated) appropriately and handled by solid waste disposal service provider authorised by the government; and

Greenhouse Gas Emission

Our carbon emissions are mainly derived from energy consumption. During the reporting period, carbon dioxide equivalence (CO2e) relevant to the energy generated by the operations covered in this report was 101,741 tonnes with an intensity of 2.3180 kg CO2e per pair of shoes. We have implemented various energy-saving measures to mitigate our carbon emissions. Please refer to the following section “Use of energy” for details.

Note: The carbon emission is calculated with reference to the Greenhouse Gas Protocol published by World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI), Report Guidelines on Environmental Key Performance Indicators issued by the Hong Kong Stock Exchange, the Baseline Emission Factors for Regional Power Grids in China published by the Department on Climate Change of National Development, Reform Commission and the Baseline Emission Factors for Power Grids by the Ministry of Energy and Mineral Resources of Indonesia and IGES Grid Emission Factors for Vietnam, Bangladesh and the Philippines.

During the Reporting Period, although our Group had no significant exhaust emission or waste water discharge, certain measures were carried out to mitigate environmental impact, such as using carbon filters and UV light equipment, while all industrial waste water was treated by certified companies.

A2 Use of Resources

Stella advocates "power-savings is glorious, wasting is shameful", and strives to promote water and electricity conservation. Through enhancing energy management, we take technically feasible and economically reasonable power-saving measures to reduce direct energy loss and improve energy efficiency. At the same time, we regularly measure the usage of energy to monitor our energy consumption, so as to achieve energy conservation, reduction of energy and material consumption, responsible production and environmental protection.

Use of energy

Our total energy consumption during the reporting period was as follows:

Energy Category	Consumption	Intensity (per pair of shoes)
Electricity supply	138,913,517 kilowatt hours	3.1649 kilowatt hours
Natural gas	41,018 cubic metres	0.0009 cubic metres
Diesel	679,415 litres	0.0155 litres
Petrol (Unleaded)	237,329 litres	0.0054 litres

Note: The above statistics covered the main energy consumption of all factories. The above information included the energy the Group consumed during our operations and excluded the energy consumption that the Group cannot directly control.

Due to the base load of electricity, higher intensity for electricity consumption was incurred in 2020 although production volume in 2020 was lower than that of 2019.

The Group has implemented energy conservation and emissions reduction initiatives as follows:

- Use energy-efficient lighting equipment; lights are turned off when staff leaves the premises to save electricity;
- The temperature of air conditioning is adjusted to suit each department's work requirement, and the temperature for the air-conditioning of offices is set at 26°C during summer;
- The manufacturing units exert stringent management of production equipment with high electricity consumption;
- In addition to regular patrol by electricians, equipment maintenance department monitors and guides each department's energy consumption and rectifies any wastage if identified to avoid electricity wastage;
- Conduct monthly count on electricity consumption and prepare relevant records; if the consumption exceeds the range of the benchmark, the reasons for such will be analysed and take timely remedial actions;
- Prior to purchase of any machinery equipment, respective departments will assess the energy consumption of the equipment, and select the machine types with higher energy efficiency if conditions allow;

- Conduct monthly count on petrol usage by motor vehicles in our factories;
- Record car mileage, maintain and repair motor vehicles timely to reduce petrol wastage, and
- Implement residual heat recovery system.

These measures helped reduce the operating temperature of the air compressor, therefore extending life of machines, in addition to the reduction of the greenhouse effect, energy saving and environmental protection.

Water Management

Total water consumption of the Group during the reporting period was 1,400,939 cubic metres with an intensity of 0.0319 cubic metres water per pair of shoes. The majority of water consumption was incurred by usage in staff canteens and washrooms, as well as the domestic usage at workers' living quarters. Better efficiency in water usage resulted as compared to the previous year was mainly due to the improvement in the maintenance of water supply system and closure of factories with low efficiency in water usage during 2020. There was no water sourcing issue with our Group as we mainly consume municipal water.

The following measures have been implemented in recent years to mitigate water consumption:

- Expand the scope of recycled water, to the greatest extent, for greening and for restrooms to increase the recycling rate.
- Conduct monthly review on water consumption and prepare relevant records. If the consumption exceeds the range specified, reasons for such would be analysed for timely remedial actions.
- Install filters at canteen sewage outlets, which are regularly cleaned and replaced. Old filters are forwarded to recycling company.
- Arrange clean and waste water segregation in water discharge, sanitary sewage to run into centralised pipelines for sedimentation treatment, and then be discharged after meeting standards.
- Strengthen employees' education on environmental protection, for example, promote usage of non-phosphate detergent and washing powder in their living quarters.
- Encourage staff to save water in factories, offices as well as in their living quarters, and the Company installed water-saving taps and reduced water pressure during holidays to decrease the usage of water.
- Water circulation system across manufacturing process has been widely adopted in the Group's factories to help water recycling and reduce consumption of water.

Use of packaging materials

In 2020, the packaging materials used by the Group were mainly paper in the form of shoeboxes, packing papers, carton boxes and shoe stretchers, reaching a total of 19,949 tonnes with an intensity of 0.4545 kg of packing materials used per pair of shoes.

A3 Environment and Natural Resources

The Group closely monitors the potential impact on environment brought by its subsidiaries and plants, and strives to minimise the impact on environment caused by our operations. We endeavour to conduct regular assessment and continuously monitor environmental risks, and at the same time enhance our environmental management system, formulate and update our environmental policy.

Apart from the hazardous and non-hazardous waste and energy consumption generated by the aforementioned section, Stella actively mitigates other major environmental impact, including noises generated from operating production facilities. To strengthen control and reduce environmental impact brought by noises, we have taken the following measures:

- Choose low noise equipment, such as low noise fans for machinery ventilation;
- Choose aluminium alloy with good sound insulation performance or double-deck structure for the doors and windows of the workshops;
- Conduct comprehensive treatment, such as noise reduction and shock absorption measures for boiler plants and generators;
- Report regularly the process of environmental protection and contamination control and their relevant outcomes to local environmental authorities;
- Formulate operational programs for environmental facilities and their respective maintenance schedule to ensure these facilities are in good conditions during operation; and
- Provide technicians on-the-job induction and training programs to promote their awareness on environmental protection and ensure all environmental protection facilities are running smoothly.

B. SOCIETY

B1 Employment

As a responsible employer, we strictly comply with all local employment laws and regulations. During the reporting period, there were no non-compliance cases in relation to human resources laws and regulations.

Recruitment, Promotion and Remuneration Policies

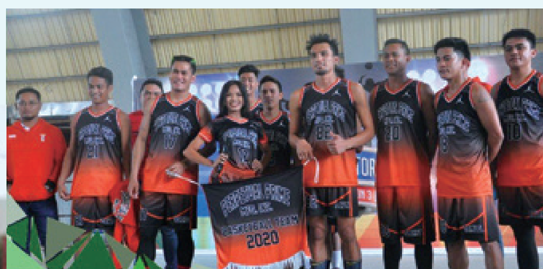
We attract talents using the fairness and objectiveness principle. Our recruitment is open to the public through various methods like posting recruitment advertisements, online recruitment, campus recruitment, job market recruitment, and head-hunter recommendation and comprehensive evaluation will be conducted.

Stella considers attendance, performance, rewards as means to promote meritocracy. We also consider job progression and promotion for performing staff to achieve the ultimate goal of talent retention and development to the Group.

For remuneration, on the basis of evaluating the value of workforce and under the guidance of the Group's operation strategy, the Group has in place a competitive remuneration system with reference to industry and regional standards.

Working Hours

We strictly control working hours in accordance with the requirements of laws and customers, and ensure that all the overtime works are on a voluntary basis. The overtime pay is fully remunerated according to local applicable labour laws. New employees are provided with corporate orientation, allowing them clear understanding of relevant working hours.



Equal Opportunities, Diversification and Anti-Discrimination

The Group is committed to providing fair, equitable and reasonable job opportunities for its staff. In the respect of engagement, wages, welfare and promotion, our considerations are solely based on our staff's work competence. We treat all employees equally, irrespective of their gender, age, race, blood, skin colour, nationality, political status, creed, marital status, maternity status, sexual orientation, disability or any other factors that are irrelevant to their work competence. If a discriminatory behaviour is discovered, the Group will conduct an investigation and take disciplinary action against discriminatory behaviour. At the same time, we also have in place a whistle blowing policy to ensure that complaints are made in strict confidentiality.

Holidays and Welfare Policies

We strictly comply with relevant national laws and regulations, review and improve employees' welfares, and pay various statutory social insurance according to the law and ensure that our employees can enjoy social statutory holidays and other welfares. Apart from this, employees are also entitled to paid annual leaves, marriage leave, and maternity leave and so on. To safeguard the legitimate interests of female staff, no department is allowed to arrange pregnant staff to perform works related to moving heavy materials, work in high altitude, cold temperature and cold water. For female staff who is pregnant for over seven months, we do not suggest them to work on night shift nor perform overtime work.

Stella provides regular health checkups to its employees. We also arrange first aid training, allowing our employees to contribute directly to safety in the workplace. We also organised a series of health talks in order to promote disease prevention and awareness of health protection.

Special programmes launched to provide caring and benefits to the employees in our factories during 2020 included:

- Free vision test and eye-glasses for workers in need
- Subsidies for workers in need
- Birthday gifts
- Outstanding employee awards

Social Activities

We organised a series of recreational activities throughout the year, such as sports competitions, birthday and festive celebration activities (with adjustment in their format to comply with the social distancing principles required under the pandemic) to enrich our employees' life outside of work. These activities also helped team-building and promoting employee's sense of belonging.

B2 Health and Safety

Occupational Health and Safety

Workplace health and safety remains our top priority. Stella consistently meets all applicable standards and regulations, while also striving to develop the autonomy of employees so that they are involved in creating and contributing to a safe and hazard-free work environment and promoting occupational safety.

We have taken a number of steps to further improve workplace safety, including:

- Ban the storage of chemicals in our workshops;
- Put up a number of notice boards throughout our workshops to reinforce awareness of workplace safety procedures;
- Conduct regular examination of employee canteens to ensure food safety;
- Conduct regular emergency drills, such as fire drills;
- Conduct regular check and upgrade, if necessary, existing machinery to ensure workplace safety;
- provide training to our workers the correct way of using and maintaining equipment, and strive to improve the training and innovation capability of technical staff;
- Keep abreast of the latest development of artificial intelligence, and develop new safety equipment;
- Evaluate new specialised equipment and use it, if applicable;
- Enforced the use of Personal Protective Equipment (PPE) to minimise the risk of occupational disease;

In order to promote safety in our production facilities, prevent and reduce accidents to safeguard the life and property of workers and improve the management of safe production on an ongoing basis, we also hold regular environmental, safety and health ("ESH") meetings, to review prevailing risks in the workplace, as well as an opportunity to evaluate any emerging risks. It is also an important conduit for face-to-face communication among employees, directors, supervisors, committee members and CSR coordinators, and is an essential component of our ESH management system.

A "CSR Internal Training Plan" is put in place to cover training, exposure control and the use of personal protective equipment, chemical management, safety awareness and communication, and fire safety, etc.

We also instituted annual centralised audits at all of our plants worldwide, including the PRC, Vietnam, Bangladesh, Indonesia and the Philippines, to ensure that these initiatives and others are being implemented across all the factories of the Group. In 2016, we rectified all safety risks discovered, including installing protection devices (such as widened foot stand to avoid falling upon moving goods, baffles to prevent hands from being engulfed, and protective covers and sensors to avoid clamping) on the machines. We will continuously call for all staff to carry out safety examination and proactively facilitate the management of safe production to achieve modernization of safe production in a scientific manner. For example, we will develop equipment that is more user-friendly for operation and is better in terms of ergonomics, as well as machines that can integrate production processes to improve efficiency, thus reflecting the "people-oriented" scientific development approach.

Given the global COVID-19 pandemic in 2020, the Company introduced a number of measures in its factories to protect the health of its employees. These measures were customised to suit the local conditions of each factory. These measures included:

- Complying with local government orders to temporarily suspend factories to help curb the spread of COVID-19
- Offering masks to all employees and installing hand disinfectant stations at factory entrances and in working areas
- Providing educational talks and posting notices in all factory areas promoting personal hygiene and social distancing
- Daily measurement of all workers' body temperature upon entry to factory areas and conducting random checks of workers' body temperatures within the production area as reassurance
- Introduced frequent and regular sanitation of working areas and staff living quarters
- Making available multi-vitamin supplements and fruits to workers
- Chartering free shuttle bus services for workers with long daily commutes to limit their exposure to the COVID-19 virus
- Cancelling or re-arranging group activities by adopting appropriate measures to ensure social distancing
- Audio and video conferencing were deployed for business communications to replace meetings in-person, where appropriate

During the reporting period, there were no non-compliance cases in relation to workplace health and safety laws and regulations.

B3 Development and Training

We firmly believe that it is necessary to improve employees' professional standards continuously in the corporate responsibility department, with an aim to meeting our long-term development plan and cultivating our talents and sharpening our competitive edge. Accordingly, we have established a management system relating to education and training.

We organise regular voluntary training opportunities for our employees, providing them with an opportunity to upgrade their skills and grow with the Company. At the same time, to deal with emergency situations, implement fire evacuation timely and effectively. and ensure orderly evacuation to minimise casualties, property loss and social impact caused by accidents, we conduct regular fire drills every year to enhance our staff's awareness on disaster prevention, including managing their own escape, self-help and mutual rescue skills.

In order to enable our employees to gain in-depth understanding of corporate responsibility and ESH knowledge and apply what they learnt in the workplace, Stella provides basic pre-job training of corporate social responsibility for new employees or interns, and management trainees before they are on board. We also carry out relevant ESH trainings according to the job requirements of our employees.

B4 Labour standards

We prepare our internal Social Responsibility Management Manual based on the global SA8000 certification. The SA8000 is based on the principles of international human rights norms as described in International Labour Organisation Conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights, including health and safety, freedom of association, working hours and wage standards, the prohibition of child labour and the protection of minors, the prohibition of forced labour, the prohibition of discrimination, the prohibition of unfair punishment, and so on.

During recruitment, human resources department will verify the personal information of candidates according to the requirements of internal human resources policies and procedures and check their identity cards to verify their age. To ensure the employees' interests are not being infringed, all our employed staff must be recruited voluntarily. In other words, we prohibit any forced labour and never induce any employee to work by deception. Furthermore, our staff undergoing unfair treatment can report through our whistle blowing policy.

During the reporting period, there were no non-compliance cases in relation to labour laws and regulations.

B5 Supply Chain Management

Our Group follows the common principles and objectives with suppliers. We are committed to building close relationship with our suppliers and maintaining constant communication with them through various channels to ensure that their services and products meeting our requirement, thus enabling us to maintain our quality. We only select suppliers that pursue constant perfection and maintain a high level of environmental protection consciousness and business ethics as our partners. We choose suppliers by taking into account factors such as their scale of production, capability of on-time delivery, price competitiveness, quality assurance and after-sale service with a principle of fairness and in accordance with our internal policies, and request them to undertake responsibilities for the following environmental and social issues:

- Employment is based on a voluntary and fair basis
- Reasonable remuneration and working hours are offered to the staff
- Child labour is prohibited
- Discrimination, harassment and abuse are not tolerated
- The workplace is healthy and safe, with protective equipment given as required
- Freedom of organising union is respected
- Environmental impact is minimised

Suppliers are evaluated regularly and we will continue to cautiously select partners to make sure an effective and excellent supply chain management.

B6 Product Liability

We are always seeking to fulfill our dedication to deliver outstanding and unique footwear. Stella is guided by its spirit of "making the best shoes". Our products are of high quality and exquisite craftsmenship that have gained the attention of internationally renowned luxury and casual brands.

Quality Control for Products

We screen our product offerings carefully and strictly control the safety and quality of our products. We integrate the monitoring of the whole production process with production standardization, and successfully implement quality management in our production facilities. With regard to managing raw materials, we only cooperate with suppliers holding valid business licenses and various related qualification documents. Besides, we will take into consideration factors such as the capability and credibility of suppliers, their performance, and whether their commitment of quality is consistent with the national and industry production standards, so as to endeavour and assure the quality of raw materials, whereby ensuring our product quality and safety.

Customer Service

We are always customer-driven and passionate about our business, and are dedicated to providing products of highest quality and the best service to our customers. By being a close partner to our customers, we strive to fulfill their needs with innovative and cost effective solutions. Through empathy, responsiveness and reliability, we seek to become the partner of choice of our customers.

Due to the ever-changing demand of customers, we pay more attention to keep abreast of their demand and expectation from time to time, especially the after-sale evaluation on products and services. We set up an effective customer communication mechanism with an aim to continuously enhance the ways to respond and handle requirements and improve the communication system, in addition to offering guarantee to the quality of products and services that meet requirements. We also conduct customer satisfaction surveys and take the initiative to contact customers, allowing them to offer their rating and opinions on after-sales service in all aspects, hence driving us to constantly improve.

During the reporting period, there were no non-compliance cases in relation to the quality of product and services laws and regulations.

B7 Anti-corruption

Stella is committed to maintaining a fair and equitable business environment, protecting the interests of the Company, inheriting and developing the Company's traditional corporate culture and reducing the Company's operational risks, whilst maintaining the reputation of the Company and customer brand in the industry, society and the world. We absolutely desist from any form of bribe or accepting bribe to provide commercial benefits, or obtaining any form of benefits by force or threats.

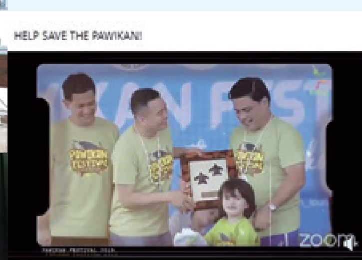
We attach great importance to our sense of honesty and integrity and conduct regular evaluation on the risks of corruption existing among factories. We will also check whether the rules relating to payment conditions and commission in the agreements entered into between each plant and agent or business partner are clear and appropriate. Besides, the anti-corruption measures approved by suppliers and investigated by customers will also contribute to the mitigation of risks of fraud and money laundering. The Group has also formulated policy documents relevant to anti-corruption covering such areas as bribery, extortion, fraud and money laundering to encourage our staff to report any malpractice and improve their consciousness.

During the reporting period, there were no non-compliance cases in relation to corruption-related laws and regulations.

B8 Community Investment

As a responsible corporate citizen, Stella encourages its employees to support community projects and protect the natural environment, in addition to making charitable donations to the underprivileged, impoverished youth and families. Our staff participated in a number of community service activities during the year, which included:

- Donating masks, disinfectant and protective gears to local governments to help curb the spread of COVID-19
- Participating in programs supporting the conservation of sea turtles in the Philippines
- Engaging in fund raising activities within local communities and making donation to the underprivileged
- Donating to high schools in Vietnam
- Visiting and supporting impoverished families in local communities



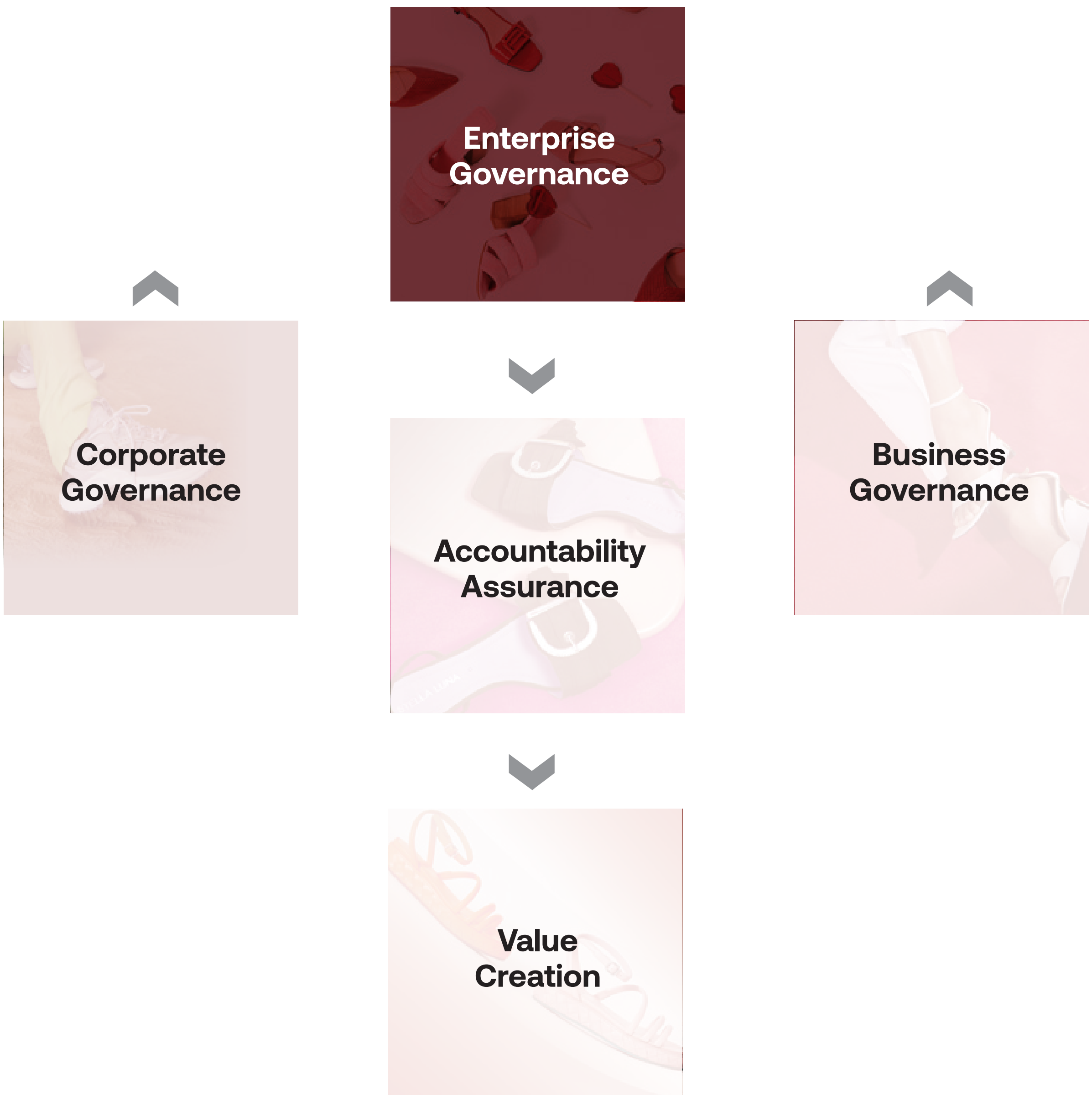
CORPORATE GOVERNANCE REPORT

BUILDING AND PROTECTING LONG-TERM VALUE

The board (the "Board") of directors (the "Directors") of Stella International Holdings Limited (the "Company") and management of the Company and its subsidiaries (collectively, 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").

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 with 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.



GOVERNANCE FRAMEWORK

The Company's governance framework embodies the following:

- Terms of reference of various Board committees (Audit Committee, Corporate Governance Committee, Executive Committee, Nomination Committee and Remuneration Committee)
- Compliance Manual
- Corporate Disclosure Policy
- Memorandum on Disclosure of (1) Inside Information and (2) Information Necessary to Avoid a False Market
- Board Diversity Policy
- Whistleblowing Policy

Corporate Governance Committee – the 4 Rs

To facilitate more effective implementation of corporate governance practices, a corporate governance committee of the Board (the "Corporate Governance Committee") has been established pursuant to a resolution of all Directors passed on 15 June 2007 with specific written terms of reference which deal clearly with the committee's authority and duties. Focusing on the 4 Rs – regulatory compliance, risk management, investor relations and corporate social responsibilities, the principal roles and functions of the Corporate Governance Committee, as disclosed in greater detail in its terms of reference, include the following major aspects:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
2. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
3. to review the Company's compliance with the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the relevant disclosure in the Company's annual and interim reports;
4. to review and monitor the Company's communication policy and practices with its shareholders and investor communities; and
5. to review and monitor training and continuous professional development of Directors and senior management.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions of the CG Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2020 except for code provision B.1.5, details of which are disclosed below. Save for the deviation from code provision B.1.5, the Group has been in compliance with the CG Code in all material respects.

The corporate governance principles and practices of the Company are summarised as below:

A. Directors

A.1 The Board

Principle

The Board assumes the responsibility for leadership and control of the Company, and is collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. The respective responsibilities of the Board and the management of the Company have been formalised and set out in writing. The scope of matters that are retained for the Board's decision are:

- Determination of future development directions
- Determination of overall strategies and policies
- Approval of annual business plan and budget
- Approval of dividend distribution proposals
- Approval of significant investments, merger/acquisition projects, major financing arrangements, connected transactions and material contracts
- Approval of any matters, if considered appropriate, following recommendations by various Board committees
- Approval of other matters that are of a material or substantial nature

The management of the day-to-day operations of the Group is delegated by the Board to the management. In view of facilitating more efficient day-to-day operations of the Group and handle such matters as delegated by the Board from time to time, an executive committee of the Board (the "Executive Committee") has been established pursuant to a resolution of all Directors passed on 9 July 2015, with specific written terms of reference which deal clearly with the committee's authority and duties. In addition, the Board has already established various other Board committees in previous years to discharge their respective responsibilities set out in their respective terms of reference.

The Board regularly reviewed the contribution required from Directors to perform their responsibilities to the Company, and whether they are spending sufficient time performing them.

Code Provisions	Compliance	Corporate Governance Practices
A.1.1 The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals and to involve active participation of a majority of directors.	✓	The Directors' attendance records for the year 2020 are set out below: Name of Directors — Attendance Executive Directors Chen Li-Ming, Lawrence *(Chairman)* — 7/7 Chi Lo-Jen *(Chief Executive Officer)* — 7/7 Non-Executive Directors Chiang Jeh-Chung, Jack — 0/7 Chao Ming-Cheng, Eric — 5/7 Independent Non-executive Directors Chen Johnny — 7/7 Bolliger Peter — 6/7 Chan Fu Keung, William, *BBS* — 7/7 Yue Chao-Tang, Thomas — 6/7 Lian Jie — 7/7 Shi Nan Sun — 7/7 **Relationships among the members of the Board** **Chiang Jeh-Chung, Jack is the uncle of Chi Lo-Jen. Save as aforementioned, there is no other family relationship between any of the Directors, nor are there any financial, business or other material or relevant relationships among the members of the Board.**
A.1.2 Arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings.	✓	Draft agenda of regular Board meetings are made available to all Directors in advance so that they may include any additional matters they consider appropriate in the agenda.
A.1.3 Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For other board meetings, reasonable notice should be given.	✓	At least 14 days formal notice has been given to all Directors for regular Board meetings. Regular Board meetings in 2020 have already been scheduled to ensure compliance with the CG Code and to facilitate Directors' attendance.

Code Provisions	Compliance	Corporate Governance Practices
A.1.4 Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and should be open for inspection at any reasonable time on reasonable notice by any director.	✓	The Company Secretary is responsible for preparing minutes of all Board meetings and Board committee meetings; the final versions of which are available for the Directors' inspection at the Company's principal place of business.
A.1.5 Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes should be sent to all directors for their comment and records respectively, within a reasonable time after the board meeting is held.	✓	Minutes of Board meetings and Board committee meetings have recorded in sufficient detail all matters discussed and resolved at such meetings. Draft minutes are circulated to all Directors for comment within a reasonable time after each meeting and final versions of the minutes are circulated to all Directors for records.
A.1.6 There should be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent advice in appropriate circumstances at the issuer's expense. The board should resolve to provide separate independent professional advice to directors to assist them to perform their duties to the issuer.	✓	Directors are entitled to seek external independent legal advice at the Company's expense. No request was made by any Director for such independent professional advice during the year under review.
A.1.7 If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.	✓	Directors are required to declare their interest, if any, in matters before Board meetings, or if such matters are dealt with by written resolutions, in such resolutions. In case the Director(s) concerned has a material conflict of interest, the Director(s) concerned has abstained from voting on the relevant board resolution and is not counted towards the quorum.
A.1.8 An issuer should arrange appropriate insurance cover in respect of legal action against its directors.	✓	A Directors and Officers Liability Insurance Policy is in place to cover the liability of the Company's Directors and officers.

A.2 Chairman and Chief Executive Officer

Principle

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer. Such division of responsibilities has been formalised and set out in writing. The respective responsibilities borne by the Chairman and the Chief Executive Officer are:

Chairman's responsibilities:

- Determines broad strategic direction
- Provides leadership of the Board
- Facilitates effective contribution from non-executive Directors
- Supports and advises, and manages the CEO's performance in terms of realisation of Group's objectives determined by the Board
- Ensures good corporate governance practices and procedures are established
- Maintains an effective communication between the Board, management of the Company and shareholders generally

Chief Executive Officer's responsibilities:

- Provides leadership for the management
- Oversees the realisation by the Group of the objectives determined by the Board
- Provides information to the Board as is necessary to enable the Board to monitor the performance of management
- Leads the management of the Group's relationship with its stakeholders
- Puts in place programmes for management development and succession
- Establishes and maintains proper internal controls and internal audit systems
- Discharges such duties and authorities as may be delegated in writing to him/her by the Board

Code Provisions	Compliance	Corporate Governance Practices
A.2.1 The roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.	✓	The roles of the Chairman and Chief Executive Officer are separate and have been performed by separate individuals. The division of responsibilities between the two positions have been clearly established and set out in writing.
A.2.2 The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	✓	With the support of the executive Directors, senior management and the Company Secretary, the Chairman ensures that all Directors are properly briefed on issues arising at Board meetings.
A.2.3 The chairman should be responsible for ensuring that directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable.	✓	The information and/or analyses required for the Board's consideration and decision making are included in Board papers that are delivered to Directors for their review in a timely manner.
A.2.4 One of the important roles of the chairman is to provide leadership for the board. The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by the board in a timely manner. The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting. He should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate this responsibility to a designated director or the company secretary.	✓	Such roles are set out in writing and have been complied with.

Code Provisions	Compliance	Corporate Governance Practices
A.2.5 The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.	✓	
A.2.6 The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the issuer. The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus.	✓	Such roles and practices are set out in writing and have been complied with.
A.2.7 The chairman should at least annually hold meetings with the independent non-executive directors without the presence of other directors.	✓	The Chairman maintain open dialogue with individual independent non-executive Directors to ensure effective communication.
A.2.8 The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole.	✓	Please refer to the section E as described later in this report.
A.2.9 The chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.	✓	Effective contribution of non-executive Directors and communication between executive and non-executive Directors are achieved through discussions in Board meetings, various Board committee meetings and other Board activities/programmes.

A.3 Board composition

Principle

To ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the business of the Group, a policy of selection and nomination of Directors has been established and set out in writing in our board diversity policy which is articulated in more detail below.

The independent non-executive Directors constitute the majority of the Board so that there is a strong independent element on the Board, which can effectively exercise independent judgment. The independent non-executive Directors are of diversified background and competencies, with appropriate professional qualifications and/or extensive knowledge and experience in their respective business undertakings.

The Board also ensures that changes to its composition can be managed without undue disruption.

Board Diversity Policy

The board diversity policy of the Company is:

1. Policy Statement
   Directors are selected and nominated based on a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, competencies, skills, geographical network capabilities and cross-border experiences in pursuit of maintaining a board of diversified background and competencies, in order to contribute to more effective board deliberations and business directions of the Group.

2. Nominations and Appointments
   The Nomination Committee is responsible for:
   - reviewing the structure, size and composition of the Board;
   - identifying individuals suitably qualified to become board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorship; and
   - making recommendations to the Board on the appointment or re-appointment of directors and succession for directors.

3. Measurable Objectives
   The Nomination Committee shall develop measurable objectives for implementing this policy, taking into account the Group's strategic plan and business needs.

4. Monitoring, Tracking and Reporting
   The Nomination Committee shall review this policy and report the same to the Board on an annual basis.

   The Nomination Committee shall also report annually, in the Corporate Governance Report a summary of this policy, the measurable objectives for implementing this Policy, and the progress made on achieving such measurable objectives.

The following objectives, which focus on the skills and experience of board members, have been set for implementing the policy:

1. Increase the diversity of functional experience in the board.
2. Increase understanding of our current and target markets.
3. Increase understanding of our target customer segments.

During the year, the following initiatives had been carried out:

1. Review existing board and identify gaps.
2. Review and develop succession plan.

Code Provisions	Compliance	Corporate Governance Practices
A.3.1 The independent non-executive directors should be identified in all corporate communications that disclose the names of directors.	✓	The composition of the Board, by category, is disclosed in all corporate communications.
A.3.2 An issuer should maintain on its website and on the Stock Exchange's website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.	✓	The Company has maintained on its website and on the Stock Exchange's website an updated list of Directors identifying their role and function and whether they are independent non-executive Directors.
Recommended Best Practices	**Compliance**	**Corporate Governance Practices**
A.3.3 The board should state its reasons if it determines that a proposed director is independent notwithstanding that the individual holds cross-directorships or has significant links with other directors through involvements in other companies or bodies.	N/A	

A.4 Appointments, re-election and removal

Principle

The Company has maintained a formal, considered and transparent procedure for appointment of new directors. There are in place procedures for the selection and nomination of new Directors to the Board. The appointments of Directors are first reviewed by the Nomination Committee; the recommendations of the Nomination Committee are then proposed to the Board for approval.

The Board has also reviewed the Group's succession planning for senior appointments from time to time.

A.4.1 Non-executive directors should be appointed for a specific term, subject to re-election.	✓	The non-executive Directors (including the independent non-executive Directors) are appointed for a specific term and are subject to retirement by rotation and re-election at the annual general meetings of the Company.
A.4.2 All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.	✓	

Recommended Best Practices	Compliance	Corporate Governance Practices
A.4.3 If an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders. The papers to shareholders accompanying that resolution should include the reasons why the board believes he is still independent and should be re-elected.	✓	

A.5 Nomination Committee

Code Provisions	Compliance	Corporate Governance Practices
A.5.1 Issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.	✓	The Company established the Nomination Committee pursuant to a resolution of all Directors passed on 15 June 2007. The Nomination Committee currently has six members comprising all independent non-executive Directors, namely, Chen Johnny, Chan Fu Keung, William, *BBS*, Yue Chao-Tang, Thomas, Bolliger Peter, Lian Jie and Shi Nan Sun. The chairman of the Nomination Committee is Chen Johnny. During the year ended 31 December 2020, one Nomination Committee meeting were held and the attendance record is set out below: Name — Attendance Chen Johnny *(Chairman)* — 1/1 Chan Fu Keung, William, *BBS* — 1/1 Yue Chao-Tang, Thomas — 1/1 Bolliger Peter — 1/1 Lian Jie — 1/1 Shi Nan Sun — 1/1 During the year, the following work has been performed by the Nomination Committee: (i) reviewed the structure, size and composition of the Board; (ii) reviewed the board diversity policy; (iii) discussed succession planning; (iv) made recommendation as to which Directors shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election; and (v) assessed the independence of independent non-executive Directors.

Code Provisions	Compliance	Corporate Governance Practices
A.5.2 The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties.	✓	The Nomination Committee was established with specific written terms of reference which deal clearly with its authority and duties. The principal role and function of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorship, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.
A.5.3 The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board by including them on the Stock Exchange's website and the issuer's website.	✓	The terms of reference of the Nomination Committee are posted on the Stock Exchange's website and the Company's website.
A.5.4 Issuers should provide the nomination committee sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice, at the issuer's expense, to perform its responsibilities.	✓	The Nomination Committee has been provided with sufficient resources to perform its duties. In particular, the Nomination Committee is empowered to obtain independent professional advice, and any expenses incurred shall be borne by the Company.
A.5.5 Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting: 1. the process used for identifying the individual and why the board believes the individual should be elected and the reasons why it considers the individual to be independent; 2. if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the board believes the individual would still be able to devote sufficient time to the board; 3. the perspectives, skills and experience that the individual can bring to the board; and 4. how the individual contributes to diversity of the board.	✓	

A.6 Responsibilities of directors

Principle

Every Director knows his responsibilities as a Director and the conduct, business activities and development of the Group. Independent non-executive Directors understand they have the same duties of care and skill and fiduciary duties as executive Directors.

Code Provisions	Compliance	Corporate Governance Practices
A.6.1 Every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.	✓	All newly appointed Directors have received induction program on appointments, which are tailored to their background, experience and their role in the Group and are designed to enable them to better understand the operations and business of the Group. The program includes an induction package given to newly appointed Directors, which comprises a brief introduction of the Group's business and the statutory and regulatory obligations of a director of a listed company. Independent non-executive Directors are invited to site visits of major operating units of the Group and briefed by the Company's executive Directors and senior management on the Group's business and governance practices. Subsequently Directors also receive monthly updates comprising the Group's financial Information and order outlook. In addition, they also receive market intelligence materials (called Monthly Industry Tracker), for them to better appraise the industry in which the Group operates. During the year, Directors also participated in training sessions for update on changes to the business, legal and regulatory environments in which the Group operates.
A.6.2 The functions of non-executive directors should include: (a) participating in board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct; (b) taking the lead where potential conflicts of interests arise; (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and (d) scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.	✓	The independent non-executive Directors have exercised independent judgment on issues discussed at Board meetings. They have also scrutinised the Company's performance by reviewing the business and financial performance updates at regular Board meetings and following up any outstanding issues after such meetings.

Code Provisions	Compliance	Corporate Governance Practices
A.6.3 Every director should ensure that he can give sufficient time and attention to the issuer's affairs and should not accept the appointment if he cannot do so.	✓	All executive Directors have in-depth industry knowledge and established track record, whose interests are aligned with that of the Company. Every Director has given sufficient time and attention to the Company's affairs. The independent non-executive Directors have brought a wide spectrum of their extensive knowledge and experience in their respective business undertakings to the Board for the fullest performance of its functions.
A.6.4 The board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the issuer's securities.	✓	The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 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 year. The Company will reiterate and remind the Directors from time to time the relevant rules and requirements in relation to Directors' dealing in securities to ensure the compliance of the Model Code. The persons occupying the following positions are regarded as the relevant employees of the Company subject to the restrictions on dealings in the Company's shares under the Model Code: Chief Executive Officer Chief Operating Officer Chief Financial Officer Company Secretary Head of Investor Relations

Code Provisions	Compliance	Corporate Governance Practices
A.6.5 All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. Note: Directors should provide a record of the training they received to the issuer.	✓	The Company is responsible for arranging and funding continuous professional development program for the Directors. Please refer to the disclosure made under A.6.1 in this report. All Directors are required to provide the Company with their training records. During the year, the Directors participated in the kinds of training as follows: Name of Directors — Kinds of Training **Executive Directors** Chen Li-Ming, Lawrence *(Chairman)* — A, B, C Chi Lo-Jen *(Chief Executive Officer)* — A, B, C **Non-Executive Directors** Chiang Jeh-Chung, Jack — A, B, C Chao Ming-Cheng, Eric — A, B, C **Independent Non-executive Directors** Chen Johnny — A, B, C Bolliger Peter — A, B, C Chan Fu Keung, William, *BBS* — A, B, C Yue Chao-Tang, Thomas — A, B, C Lian Jie — A, B, C Shi Nan Sun — A, B, C A: Legal/regulatory B: Business C: Financial
A.6.6 Each director should disclose to the issuer at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments.	✓	The Directors are required to confirm to the Company at the time of appointment, and subsequently bi-annually any change, the number and nature of offices held in public companies or organisations and other significant commitments.
A.6.7 Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.	✓	Please refer to the disclosure made under A.1.1, A.6.2 and A.6.3 in this report.
A.6.8 Independent non-executive directors and other non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.	✓	Please refer to the disclosure made under A.6.2 and A.6.3 in this report.

A.7 Supply of and access to information

Principle

Directors have been provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.

Code Provisions	Compliance	Corporate Governance Practices
A.7.1 For regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of board or board committee meeting (or other agreed period).	✓	Board papers are sent to the Directors for review at such period as agreed before the Board or Board committee meetings.
A.7.2 Management has an obligation to supply the board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable. To fulfill his duties properly, a director may not, in all circumstances, be able to rely purely on information provided voluntarily by management and he may need to make further enquiries. Where any director requires more information than is volunteered by management, he should make further enquiries where necessary. So, the board and individual directors should have separate and independent access to the issuer's senior management.	✓	The relevant senior management attends all regular meetings of the Board and its committees to present the Group's business/financial performance to the Board and individual Directors and answer all questions of the Board and individual Directors on the matters discussed at such meetings. The Directors have separate and independent access to the Company's senior management to keep themselves abreast of business activities, financial performance, internal audit and internal control progress in the Group.
A.7.3 All directors are entitled to have access to board papers and related materials. These papers and related materials should be in a form and quality sufficient to enable the board to make informed decisions on matters placed before it. Queries raised by directors should receive prompt and full response, if possible.	✓	Please refer to the disclosure made under A.7.1 and A.7.2 in this report.

B. Remuneration of Directors and Senior Management and Board Evaluation

B.1 The level and make-up of remuneration and disclosure

Principle

There is sufficient disclosure on Directors' remuneration policy and other remuneration related matters. A formal and transparent procedure for setting policy on executive Directors' remuneration and for fixing the remuneration packages for all Directors has been in place. No Director has been involved in deciding his/her own remuneration.

The Remuneration Committee

The Company established the Remuneration Committee pursuant to a resolution of all Directors passed on 15 June 2007. For the year ended 31 December 2020, the Remuneration Committee had three members comprising three independent non-executive Directors, Chan Fu Keung, William, *BBS*, Yue Chao-Tang, Thomas and Chen Johnny. The chairman of the Remuneration Committee is Chan Fu Keung, William, *BBS*.

The principal role and function of the Remuneration Committee are making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, reviewing and making recommendation to the Board the management's remuneration proposals for Directors and reviewing the Group's overall human resources strategy.

During the year ended 31 December 2020, four Remuneration Committee meetings were held, and the attendance records are set out below:

Name	Attendance
Chan Fu Keung, William, *BBS (Chairman)*	4/4
Yue Chao-Tang, Thomas	3/4
Chen Johnny	4/4

During the year, the following regular work has been performed by the Remuneration Committee:

(i) reviewed the Group's human resources and remuneration strategies;
(ii) reviewed major human resources projects;
(iii) reviewed and determined the policy for the remuneration of executive Directors; and
(iv) made recommendations to the Board on the proposed remuneration packages of individual Directors and senior management.

Code Provisions	Compliance	Corporate Governance Practices
B.1.1 The remuneration committee should consult the chairman and/or chief executive about their remuneration proposals for other executive directors. The remuneration committee should have access to independent professional advice if necessary.	✓	The procedure for setting policy on executive Directors' remuneration is as follows: (i) The Company's management makes recommendations to the Remuneration Committee on the executive Directors' remuneration; (ii) the Remuneration Committee then reviews these recommendations (with access to professional advice if considered necessary and at the Company's expense) and proposes the final remuneration package to the Board for approval; and (iii) No Director or any of his or her associates is involved in deciding his or her own remuneration.
B.1.2 The remuneration committee's terms of reference should include: (a) to make recommendations to the board on the issuer's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) to review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives; (c) either: (i) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; or (ii) to make recommendations to the board on the remuneration packages of individual executive directors and senior management;	✓	The Remuneration Committee was established with specific written terms of reference which deal clearly with the committee's authority and duties and followed closely the CG Code requirements. The Remuneration Committee adopts the model of making recommendations to the Board on the remuneration packages of individual executive directors and senior management.

Code Provisions	Compliance	Corporate Governance Practices
(d) to make recommendations to the board on the remuneration of non-executive directors; (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group; (f) to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; (g) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and (h) to ensure that no director or any of his associates is involved in deciding his own remuneration.		
B.1.3 The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Stock Exchange's website and the issuer's website.	✓	The terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.
B.1.4 The remuneration committee should be provided with sufficient resources to perform its duties.	✓	The Remuneration Committee has full access to the human resources personnel and senior management if required to obtain any information relating to the human resources structure of the Group so as to facilitate making appropriate remuneration-related recommendations and proposals. The Remuneration Committee also has access to independent professional advice at the Company's expense if considered necessary.
B.1.5 Issuers should disclose details of any remuneration payable to members of senior management by band in their annual reports.	✗	To observe the competitive market practices and to respect individual privacy, the Company did not make such disclosure in its annual report and accounts.

Recommended Best Practices	Compliance	Corporate Governance Practices
B.1.6 Where the board resolves to approve any remuneration or compensation arrangements which the remuneration committee disagrees, the board must disclose the reasons for its resolution in its next Corporate Governance Report.	N/A	No such disagreement happened for the year ended 31 December 2020.
B.1.7 A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance.	✓	For the year ended 31 December 2020, the executive Directors' performance-based remuneration related to their executive roles constituted 30.4% on average of their total remuneration.
B.1.8 Issuers should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports.	✗	To observe the competitive market practices and to respect individual privacy, the Company did not make such disclosure in its annual report.
B.1.9 The board should conduct a regular evaluation of its performance.	✓	The Board has adopted a board evaluation programme with the following objectives: (i) reviewing current Board and committee practices with the view to improving efficiency and effectiveness; (ii) providing a periodic opportunity for the Board to review the company's corporate governance framework; (iii) testing Directors' knowledge of the business and its strategic situation; (iv) assessing the balance of skills, knowledge and experience on the Board and its committees; (v) identifying weaknesses that can be remedied by training and development; and (vi) improving the Board composition. The Board believes that board evaluation is an on-going process and shall continuously assess its performance on a regular basis.

C. Accountability and audit

C.1 Financial reporting

Principle

The Board should present a balanced, clear and comprehensive assessment of the Company's performance, position and prospects.

Code Provisions	Compliance	Corporate Governance Practices
C.1.1 Management should provide sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval.	✓	Before the commencement of a new financial year, annual business plan and budget are presented to the Board for approval. To evaluate the performance of the Group, presentation of business review and financial analysis of the Group is made to the Board by the management at relevant Board meetings to approve the financial results of the Group.
C.1.2 Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.	✓	The management provides monthly updates to the Board members, giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties. The monthly updates comprise internal financial information comparing to budget, industry peer comparison, as well as market intelligence.

Code Provisions	Compliance	Corporate Governance Practices
C.1.3 The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. There should be a statement by the auditors about their reporting responsibilities in the auditor's report on the financial statements. Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report. The Corporate Governance Report should contain sufficient information for investors to understand the severity and significance of matters. To a reasonable and appropriate extent, the issuer may refer to other parts of the annual report. These references should be clear and unambiguous and the Corporate Governance Report should not contain only a cross-reference without any discussion of the matter.	✓	Directors and auditor of the Company have stated their responsibilities on pages 77 and 107 respectively of this annual report. The Board is responsible for the preparation of financial statements of the Company and ensuring that they give a true and fair view of the state of affairs of the Company according to the relevant statutory requirements and accounting standards. The Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

Code Provisions	Compliance	Corporate Governance Practices
C.1.4 The directors should include in the separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives.	✓	Under the management discussion and analysis section of this annual report, a separate statement has been made to describe the Group's business model and the strategy for delivering the Group's objectives.
C.1.5 The board should present a balanced, clear and understandable assessment in annual and interim reports and other financial disclosures required by the Listing Rules. It should also do so for reports to regulators and information disclosed under statutory requirements.	✓	Legal advisers have been retained and are consulted from time to time to assist the Board in ensuring that disclosures in financial reports, announcements and any other reports and statements have presented a balanced, clear and understandable assessment of the position of the Group.
Recommended Best Practices	**Compliance**	**Corporate Governance Practices**
C.1.6 An issuer should announce and publish quarterly financial results within 45 days after the end of the relevant quarter.	✗	In order to provide the Shareholders with pertinent information relating to the business and operations of the Company on a more timely basis, the Company has voluntarily reported on its quarterly business development. Consequently, the Company discontinued publishing voluntary quarterly financial results commencing from the first quarter of 2009.
C.1.7 Once an issuer announces quarterly financial results, it should continue to do so for each of the first 3 and 9 months periods of subsequent financial years. Where it decides not to continuously announce and publish its financial results for a particular quarter, it should announce the reasons for such decision.	✗	Please refer to the disclosure made under C.1.6 in this report.

C.2 Risk Management and Internal control

Principle

The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining sound systems of risk management and internal controls, and also reviewing their effectiveness to safeguard interests of shareholders, customers, employees, and the Group's assets. Such systems are designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure to achieve business objectives of the Group, and can only provide reasonable assurance and not absolute assurance against material misstatement or loss.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the systems of risk management and internal controls from time to time in response to the changes to the business environment or regulatory guidelines. The Board should also oversee management in the design, implementation and monitoring the risk management and internal control systems, and management should provide a confirmation to the Broad on the effectiveness of these systems.

Code Provisions	Compliance	Corporate Governance Practices
C.2.1 The board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to the shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.	✓	The effectiveness of the risk management and internal control systems (covering financial, operational and compliance controls) and specifically, the progress of internal audit (in various operating aspects such as fixed assets, sales, purchase, payroll and production) are reviewed, and their respective aspects that can be further strengthened are identified, at the regular Audit Committee meetings corresponding to the financial reporting periods. The findings at such meetings are reported subsequently at Board meetings to enable the Directors to assess the effectiveness of the risk management and internal control systems of the Group and impel them to improve constantly, which helps manage various risk factors and improve its risks mitigation. The Board considers such review effective and adequate. The Group's risk management and internal control systems and internal audit manual have been reviewed comprehensively and implemented according to internal operation flow and business environment changes and obtained affirmative assessment of a third-party professional body. This system, which is COSO-based, comprises 5 elements: control environment, risk assessment, control activities, information and communication, and monitoring.

Code Provisions	Compliance	Corporate Governance Practices
		The internal control procedures of the Group include strategic control, management control and business process control. The internal control procedures are designed to safeguard the integrity of business processes (including financial and human assets, data/information and applicable systems), improve business effectiveness and efficiency, improve the quality of information for decision-making, as well as maintain a high standard of corporate governance. For the handling and dissemination of inside information, a Memorandum on Disclosure of (1) Inside Information and (2) Information Necessary to Avoid a False Market (the "Inside Information Memorandum") has been adopted by the Board since March 2013 with an aim to give guidance on the managing, protection and disclosure of inside information as well as the disclosure of information necessary for avoidance of a false market. Under the Inside Information Memorandum, the control mechanism embodies (1) control structure and; (2) control process, which are articulated as below: Control Structure Monitors business and corporate developments to identify and escalate potential inside information to attention of the designated officers, committee or the Board. Control Process The internal control functions are vested in the internal audit team which reports directly to the Audit Committee and the Chief Executive Officer of the Company. Ernst & Young, the Company's external auditor, reported on matters concerning internal control of the Group for the year ended 31 December 2020 in accordance with Hong Kong Standards on Auditing to the Audit Committee during its regular meetings.

Code Provisions	Compliance	Corporate Governance Practices
C.2.2 The board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting functions.	✓	
C.2.3 The board's annual review should consider: (a) the changes, since the last annual review, in the nature and extent of significant risks; and the issuer's ability to respond to changes in its business and external environment; (b) the scope and quality of management's ongoing monitoring of risks and of the internal control system; (c) the extent and frequency of communication of monitoring results to the board which enables it to assess control of the issuer and the effectiveness of risk management; (d) significant control failings or weaknesses that have been identified during the period. Also the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the issuer's financial performance or condition; and (e) the effectiveness of the issuer's processes for financial reporting and Listing Rule compliance.	✓	The Company's review has generally covered the aspects as referred to in C.2.3 of the CG Code.

Code Provisions	Compliance	Corporate Governance Practices
C.2.4 Issuers should disclose, in the Corporate Governance Report, a narrative statement on how they have complied with risk management and internal control code provisions during the reporting period. In particular, they should disclose: (a) the process used to identify, evaluate and manage significant risks; (b) the main features of the risk management and internal control systems; (c) an acknowledgement by the board that it is responsible for the risk management and internal control systems and reviewing their effectiveness. It should also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss; (d) the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and (e) the procedures and internal controls for the handling and dissemination of inside information.	✓	Please refer to the disclosure made under C.2 and C.2.1 in this report.
C.2.5 The issuers should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report.	✓	As set out under C.2.1 in this report, the Group has an internal audit team which reports directly to the Audit Committee and the Chief Executive Officer of the Company.
Recommended Best Practices	**Compliance**	**Corporate Governance Practices**
C.2.6 The board may disclose in the Corporate Governance Report that it has received a confirmation from management on the effectiveness of the issuer's risk management and internal control systems.	✓	The Board has received a confirmation from management on the effectiveness of the Group's risk management and internal control systems.
C.2.7 The board may disclose in the Corporate Governance Report details of any significant areas of concern.	N/A	

C.3 Audit Committee

Principle

The Board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company's auditor.

The Company established the Audit Committee pursuant to a resolution of all Directors passed on 15 June 2007. The Audit Committee currently has four members comprising four independent non-executive Directors, namely Yue Chao-Tang, Thomas, Chen Johnny, Chan Fu Keung, William, *BBS*, and Lian Jie.

The principal duties of the Audit Committee include the review of the relationship with the Company's external auditor, review of the financial information of the Company, oversight of the Company's financial reporting system, risk management and internal control systems, and the review of the Company's compliance with any applicable laws and regulations.

The Audit Committee meets with the external auditor annually in the absence of the Company's management, to discuss matters relating to audit fees, any issues arising from the audit and any other matters the external auditor or the Audit Committee may wish to raise.

During the year ended 31 December 2020, three Audit Committee meetings were held, and the attendance records are set out below:

Name	Attendance
Yue Chao-Tang, Thomas *(Chairman)*	3/3
Chen Johnny	3/3
Chan Fu Keung, William, *BBS*	3/3
Lian Jie	3/3

During the year, the following work has been performed by the Audit Committee:

(i) reviewed financial reporting system;
(ii) reviewed the risk management and internal control systems;
(iii) reviewed the report of I.T. department;
(iv) reviewed and discussed interim and annual results; and
(v) monitored the Group's tax matters.

External Auditor and Auditor's Remuneration

The remuneration paid/payable to the external auditor of the Company in respect of audit services and non-audit services provided to the Group for the year ended 31 December 2020 was US$564,000 and US$178,000 respectively. The non-audit services related primarily to tax consulting services. The external auditor will not be engaged for non-audit services unless such services constitute permissible non-audit services which should be endorsed by the Audit Committee.

Code Provisions	Compliance	Corporate Governance Practices
C.3.1 Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of meetings should be sent to all members of the committee for their comment and records, within a reasonable time after the meeting.	✓	The Company Secretary is responsible for preparing minutes of all Audit Committee meetings and such minutes have recorded in sufficient detail all matters discussed and resolved at such meetings. Draft minutes are circulated to all members for comment within a reasonable time after each meeting and final version of the minutes is circulated to all the Directors for records.
C.3.2 A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of its audit committee for a period of two years from the date of his ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.	✓	None of the members of the Audit Committee are former partners of the Company's existing auditing firm.
C.3.3 The audit committee's terms of reference should include at least: (a) Relationship with the issuer's auditor; (b) Review of issue's financial information; (c) Oversight of the issuer's financial reporting system, risk management and internal control systems.	✓	The Audit Committee was established with specific written terms of reference which have complied with the CG Code requirements.
C.3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Stock Exchange's website and the issuer's website.	✓	The terms of reference are posted on the Stock Exchange's website and the Company's website.
C.3.5 Where the board disagrees with the audit committee's views on the selection, appointment, resignation or dismissal of the external auditor, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reasons why the board has taken a different view.	N/A	During the year, there was no such disagreement, but the Board shall endeavour to comply with the requirement when such situation arises.

Code Provisions	Compliance	Corporate Governance Practices
C.3.6 The audit committee should be provided with sufficient resources to perform its duties.	✓	The Audit Committee has full access to the executive Directors, the senior management and internal audit team for any information relating to the Company's financial performance, financial reporting system, risk management and internal control systems to facilitate the process of making appropriate recommendations and proposals. In addition, the Audit Committee may obtain advice from the external legal and other independent professional advice whenever they consider necessary.
C.3.7 The terms of reference of the audit committee should also require it: (a) to review arrangements employees of the issuer can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for the fair and independent investigation of these matters and for appropriate follow-up actions; and (b) to act as the key representative body for overseeing the issuer's relation with the external auditor.	✓	The terms of reference of the Audit Committee have covered the two items as referred to C.3.7 of the CG Code.

Recommended Best Practices	Compliance	Corporate Governance Practices
C.3.8 The audit committee should establish a whistleblowing policy and system for employees and those who deal with the issuer to raise concerns, in confidence, with the audit committee about possible improprieties in any matter related to the issuer.	✓	

D. Delegation by the Board

D.1 Management functions

Principle

The Company has established a formal schedule of matters specifically reserved for board approval. The respective responsibilities of the Board and the management of the Company have been formalised and set out in writing. Such separation of responsibilities has been articulated under A.1 in this report.

Code Provisions	Compliance	Corporate Governance Practices
D.1.1 When the board delegates aspects of its management and administration functions to management, it must, at the same time, give clear directions as to the management's powers, in particular, where management should report back and obtain prior board approval before making decisions or entering into any commitments on the issuer's behalf.	✓	Management meetings are held periodically where executive Directors and heads of senior management of the respective business divisions are present and clear directions are given as to the management's powers.
D.1.2 An issuer should formalise the functions reserved to the board and those delegated to management. It should review those arrangements periodically to ensure that they remain appropriate to the issuer's needs.	✓	Please refer to the disclosure made under A.1 in this report.
D.1.3 An issuer should disclose the respective responsibilities, accountabilities and contributions of the board and management.	✓	Executive Directors assume the day-to-day management functions in their respective business divisions in the Group so that those affected by corporate decisions in each business division are fully aware of the division of responsibilities between the Board and the management.
D.1.4 Directors should clearly understand delegation arrangements in place. Issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.	✓	The respective responsibilities of the Board and the management of the Company have been formalised and set out in writing.

D.2 Board Committees

Principle

Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.

D.2.1 Where board committees are established to deal with matters, the board should give them sufficiently clear terms of reference to enable them to perform their functions properly.	✓	The Board committees were established with their respective specific terms of reference.
D.2.2 The terms of reference of board committees should require them to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	✓	This requirement is satisfied in the respective terms of reference of each Board committee of the Company.

D.3 Corporate Governance Functions

For the year ended 31 December 2020, the Corporate Governance Committee had three members comprising three independent non-executive Directors, namely Bolliger Peter, Chan Fu Keung, William, *BBS* and Yue Chao-Tang, Thomas. The chairman of the Corporate Governance Committee is Bolliger Peter.

During the year ended 31 December 2020, two Corporate Governance Committee meetings were held, and the attendance records are set out below:

Name of Directors	Attendance
Bolliger Peter *(Chairman)*	2/2
Yue Chao-Tang, Thomas	2/2
Chan Fu Keung, William, *BBS*	2/2

During the year, the following work has been performed by the Corporate Governance Committee:

(i) reviewed annual corporate governance report and corporate social responsibilities report and related disclosure in the annual and interim reports;
(ii) reviewed corporate governance framework;
(iii) reviewed the board evaluation program;
(iv) reviewed corporate disclosure policy; and
(v) reviewed training and continuous professional development of Directors and senior management.

Code Provisions	Compliance	Corporate Governance Practices
D.3.1 The terms of reference of the board (or a committee or committees performing this function) should include at least: (a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board; (b) to review and monitor the training and continuous professional development of directors and senior management; (c) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and (e) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report.	✓	The Board has delegated the corporate governance functions to the Corporate Governance Committee. The terms of reference of the Corporate Governance Committee have covered the aspects as referred to in D.3.1 of the CG Code.
D.3.2 The board should be responsible for performing the corporate governance duties set out in the terms of reference in D.3.1 or it may delegate the responsibility to a committee or committees.	✓	Please refer to the disclosure made under D.3.1 in this report.

E. Communication with Shareholders

E.1 Effective communication

Principle

The Board endeavours to maintain an on-going dialogue with the Shareholders and in particular, use annual general meetings or other general meetings, financial reports and corporate websites to communicate with the Shareholders. In addition, the Company's spokespersons meet with research analysts and the press on a regular basis, attend major investors' conferences and participate in international non-deal roadshow in order to maintain a continuing communication with the institutional analysts, investors and financial media.

Shareholders' Rights

(a) How Shareholders can convene an extraordinary general meeting

In accordance with article 58 of the Company's articles of association, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(b) The procedures for sending enquiries to the Board

Shareholders may put enquiries to the Board (i) in writing to the Company's registered office in Hong Kong (Flat C, 20/F, MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong) for attention to the Company Secretary or (ii) by email at stella@stella.com.hk or (iii) by attending the Company's annual general meeting or extraordinary general meeting.

(c) The procedures for putting forward proposals at Shareholders' meetings

(i) proposal relating to election of a person other than a Director as a Director

In accordance with article 88 of the Company's articles of association, if a Shareholder wishes to propose a person other than a Director for election as a Director at any general meeting, a notice signed respectively by that Shareholder giving his intention to propose such person for election and stating the full name of the person proposed for election as a Director, including the person's biographical details as required by rule 13.51 (2) of the Listing Rules, and also the person to be proposed of his willingness to be elected as Director, be lodged at the Company's registered office in Hong Kong (Flat C, 20/F, MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong) attention to the Company Secretary. The minimum length of the period, during which such notices are given, shall be at least seven days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notices shall commence on the day after dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

The Company has published the above procedures relating to Shareholder's right to propose a person for election as a Director on the Company's website.

(ii) other proposals

If a Shareholder wishes to make other proposals at Shareholders' meeting, he may lodge a written request, duly signed, at the Company's registered office in Hong Kong (Flat C, 20/F, MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong) attention to the Company Secretary.

Change in constitutional documents

During the year, there is no change in the Company's memorandum and articles of association.

Code Provisions	Compliance	Corporate Governance Practices
E.1.1 For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. Issuers should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", issuers should explain the reasons and material implications in the notice of meeting.	✓	At the annual general meeting held on 14 May 2020 ("2020 AGM"), separate resolutions were proposed by the chairman of the meeting in respect of each substantially separate issue in accordance with E.1.1 of the CG Code. The 2020 AGM was held on 14 May 2020 at the Marco Polo Hong Kong Hotel, Harbour City, Kowloon, Hong Kong. The major items discussed are set out below: (i) to approve the audited consolidated financial statements of the Group and the report of the Directors and the auditor of the Company; (ii) to declare a final dividend; (iii) to re-elect Directors; (iv) to re-appoint the auditor of the Company; (v) to grant general mandate to Directors to issue additional shares in the Company, not exceeding 5% of the issued share capital; and (vi) to grant general mandate to Directors to purchase shares in the Company not exceeding 10% of the issued capital. Voting of all resolutions were conducted by poll and all resolutions were approved by Shareholders. The results of the voting had been published on the Stock Exchange's website and the Company's website.

Code Provisions	Compliance	Corporate Governance Practices
E.1.2 The chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. An issuer's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.	✓	The Chairman had attended the 2020 AGM and the chairman or member of the Audit Committee, the Corporate Governance Committee, the Remuneration Committee and the Nomination Committee attended the 2020 AGM to answer Shareholders' questions. In addition, Ernst & Young, the Company's external auditor, had attended the 2020 AGM to answer Shareholders' questions. The Directors' attendance record for the 2020 AGM held on 14 May 2020 is set out below: Name of Directors — Attendance Executive Directors Chen Li-Ming, Lawrence *(Chairman)* — 1/1 Chi Lo-Jen *(Chief Executive Officer)* — 0/1 Non-Executive Directors Chiang Jeh-Chung, Jack — 0/1 Chao Ming-Cheng, Eric — 0/1 Independent Non-executive Directors Chen Johnny — 1/1 Bolliger Peter — 0/1 Chan Fu Keung, William, *BBS* — 1/1 Yue Chao-Tang, Thomas — 0/1 Lian Jie — 1/1 Shi Nan Sun — 1/1
E.1.3 The issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.	✓	For the 2020 AGM, the notices to Shareholders were sent more than 20 clear business days before the meeting.

Code Provisions	Compliance	Corporate Governance Practices
E.1.4 The board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness.	✓	The Company maintains a Corporate Disclosure Policy on which the framework of Shareholders' communication policy is built. In the Corporate Disclosure Policy, the following major aspects are dealt with: (a) to determine the authorised Company spokespersons and their responsibilities; (b) to give guidelines to employees; (c) to determine policy on communicating with media; (d) to determine policy on meetings with analysts and on reviewing analyst reports; (e) to determine policy on commenting on analysts' earnings estimates and earnings forecasts; (f) to determine policy on responding to rumours/leaks/inadvertent disclosures; and (g) to determine policy on forward-looking statements. The Corporate Governance Committee reviews this Corporate Disclosure Policy on an annual basis.
E.1.5 The issuer should have a policy on payment of dividends and should disclose it in the annual report.		The Company has a dividend policy which is disclosed in the Directors' Report of this Annual Report.

E.2 Voting by Poll

Principle

The Company should ensure that Shareholders are familiar with the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company.

Code Provisions	Compliance	Corporate Governance Practices
E.2.1 The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.	✓	Detailed explanation regarding the procedures for demanding poll by Shareholders had been provided at the commencement of the 2020 AGM.

F. Company Secretary

Principle

The Company Secretary plays an important role in supporting the Board by ensuring good information flow within the Board and that Board policy and procedures are followed. The Company Secretary is responsible for advising the Board through the Chairman on governance matters and also facilitating induction and professional development of Directors.

During the year, the Company Secretary has attended no less than 15 hours of relevant professional training in accordance with the requirement under Rule 3.29 of the Listing Rules.

Code Provisions	Compliance	Corporate Governance Practices
F.1.1 The company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs.	✓	Kan Siu Yim, Katie, the company secretary of the Company (the "Company Secretary"), is an employee of the Company and she has day-to-day knowledge of the Company's affairs.
F.1.2 The board should approve the selection, appointment or dismissal of the company secretary.	✓	The Board is responsible for approving the selection, appointment or dismissal of the Company Secretary.
F.1.3 The company secretary should report to the board chairman and/or the chief executive.	✓	The Company Secretary reports to the Chairman.
F.1.4 All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.	✓	All Directors have full access to the advice and services of the Company Secretary and legal and professional consultants of the Company, whenever necessary, to ensure compliance with all applicable law, rules and regulations, and corporate governance practices.

DIRECTORS' AND AUDITOR'S ACKNOWLEDGEMENT

The Directors acknowledge their responsibility for preparing the accounts for the year under review.

The Board has conducted a review of the effectiveness of the risk management and internal control systems of the Group for the year under review.

The statement of the external auditor about its reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on page 107.

EXPERIENCED MANAGEMENT WHICH UPHOLD STELLA'S CORE VALUES

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

CHEN Li-Ming, Lawrence, aged 60, is the chairman of the Board, an executive Director of the Company and a member of the Executive Committee of the Board. Mr. Chen has been with the Group since 1985. He is responsible for the Group's corporate management. He has over 36 years of experience in technology development and management in the footwear industry. He holds a Bachelor of Electrophysics degree from the National Chiao Tung University, Taiwan. He is also a director of certain subsidiaries of the Company which are engaged in design and marketing activities, manufacturing and retail business. He is a director of Cordwalner Bonaventure Inc., the controlling shareholder of the Company. He is also indirectly interested in the issued share capital of Cordwalner Bonaventure Inc.. He is the cousin of a member of the senior management of the Company, Yang Chen-Ning.

CHI Lo-Jen, aged 49, is an executive Director of the Company and the Chief Executive Officer of the Group and the chairman of the Executive Committee of the Board. Mr. Chi joined the Group in 1995 and has over 26 years of experience in the footwear industry, during which he gained brand exposure in all aspects of the Group's operations including the fashion, causal and fashion athletic businesses. He is currently responsible for supervising the daily operations and business development of the Group's fashion footwear division and branding division. Mr. Chi has been instrumental in expanding the high-fashion customer base for the Group. He also oversees product design and commercialisation. Mr. Chi also took the lead in developing the Group's new fashion athletic footwear business – its main growth driver. Mr. Chi studied mechanical engineering at Carnegie Mellon University in the United States. He is also a director of certain subsidiaries of the Company which are engaged in design and marketing activities, manufacturing and branding business. Mr. Chi is the nephew of the non-executive Director of the Board, Chiang Jeh-Chung, Jack.

NON-EXECUTIVE DIRECTORS

CHIANG Jeh-Chung, Jack, aged 70, is a non-executive Director of the Company. Mr. Chiang has been with the Group since 1982 and is one of the founders of the Group. He is responsible for the Group's design, development, marketing and customer relationship. Mr. Chiang has over 39 years of experience in new product development and management in the footwear industry. He is also a director of a subsidiary of the Company which is a holding company for a number of subsidiaries which are engaged in manufacturing operations. He is the uncle of the Executive Director, Mr. Chi Lo-Jen. He is indirectly interested in the issued share capital of Cordwalner Bonaventure Inc., the controlling shareholder of the Company.

CHAO Ming-Cheng, Eric, aged 69, is a non-executive Director of the Company. Mr. Chao has been with the Group since 1982 and is one of the founders of the Group. He is responsible for factory management and setting up new manufacturing facilities. Mr. Chao has over 39 years of experience in management in the footwear industry. He holds a Bachelor of Commerce degree from the Tunghai University, Taiwan. He is also a director of a subsidiary of the Company which is a holding company for a number of subsidiaries which are engaged in manufacturing operations. He is indirectly interested in the issued share capital of Cordwalner Bonaventure Inc., the controlling shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHEN Johnny, aged 61, is an independent non-executive Director of the Company, and the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Board. Mr. Chen is currently an Adjunct Associate Professor of Department of Finance and Department of Management at the Hong Kong University of Science and Technology. Mr. Chen joined Zurich Insurance Group ("Zurich") in 2005. He worked in Zurich from March 2005 to February 2015 in multiple senior managerial roles in the Asia-Pacific region. His last position in Zurich was the chairman of the life and general insurance business in China. Prior to joining Zurich, Mr. Chen was an executive member of the Greater China Management Board and the Operating Committee of PricewaterhouseCoopers ("PwC"). He was also the managing partner of PwC's Beijing office during the same period. Mr. Chen is currently the Chairman and Executive Director of Convoy Global Holdings Limited (Stock Code: 1019), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Chen is also an independent non-executive director of each of Uni-President China Holdings Ltd. (Stock Code: 220), Alibaba Pictures Group Limited (Stock Code: 1060) and China Travel International Investment Hong Kong Limited (Stock Code: 308) respectively, companies listed on the Main Board of the Stock Exchange. From December 2015 to November 2018, Mr. Chen was an independent non-executive director of China Minsheng Financial Holding Corporation Limited (Stock Code: 245), a company listed on the Main Board of the Stock Exchange. From July 2017 to March 2019, Mr. Chen was an independent non-executive director of China Dongxiang (Group) Co., Ltd. (Stock Code: 3818), a company listed on the Main Board of the Stock Exchange. From June 2010 to February 2019, Mr. Chen was an independent non-executive director of Viva China Holdings Limited (Stock Code: 8032), a company listed on the GEM of the Stock Exchange. Mr. Chen holds a Master of Science Degree in Accounting from the University of Rhode Island and a Bachelor Degree of Accounting from the Johnson & Wales University and is a U.S. certified public accountant. Mr. Chen has been appointed as an independent non-executive Director of the Company since February 2009.

BOLLIGER Peter, aged 76, is an independent non-executive Director of the Company, the chairman of the Corporate Governance Committee and a member of the Nomination Committee of the Board. Mr. Bolliger had extensive experience in retail business with renowned department stores. From 1990 to 1994, he was the managing director of Harrods, London, the director of House of Fraser Plc and the chairman of Kurt Geiger, London (which is one of the leading luxury footwear retailers in Europe). Prior to these appointments, he had served at shoes companies, such as the managing director of A & D Spitz (Pty) Ltd., South Africa (1982 to 1990) and the managing director of Bally Shoes, Scandinavian Division, Denmark. In 1994, he joined Clarks and became the chief executive in 2002 until his retirement in May 2010. He is currently an independent non-executive director and a member of the audit committee of GrandVision B.V. (Stock Code: NL0010937066), a company listed on the Euronext N.V. In addition, he is the non-executive Chairman of Kurt Geiger, London. Mr. Bolliger has been appointed as independent non-executive Director of the Company since October 2010.

CHAN Fu Keung, William, *BBS*, aged 72, is an independent non-executive Director of the Company, and the chairman of the Remuneration Committee and a member of the Audit Committee, the Corporate Governance Committee and the Nomination Committee of the Board. Mr. Chan was a member of the Executive Directorate and the Human Resources Director of the MTR Corporation Limited (Stock Code: 66) (the "MTR Corporation"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited since 1996 and 1998 respectively until July 2012 when he retired from the MTR Corporation after 23 years of service. As Human Resources Director of the MTR Corporation, he was responsible for overseeing human resources management, succession planning, organisation development, operations and management training, administration and security management of the MTR Corporation. Prior to joining the MTR Corporation, Mr. Chan held senior management positions in the commercial, utility and public sectors in Hong Kong, including the Hong Kong Government, the Hong Kong Productivity Council, Hutchison Whampoa Limited and Hong Kong Telecommunications Limited. He is a member of the Remuneration Committee of the West Kowloon Cultural District Authority and a non-executive director of the Urban Renewal Authority Board. He was a member of the Hospital Authority Board from December 2012 to November 2018. Currently he is a director of CU Medical Centre Limited and a member of the Hospital Governing Committee of the Grantham Hospital. Since August 2015, Mr. Chan has been appointed as an independent non-executive director of Analogue Holdings Ltd (Stock Code: 1977), which is a company listed on the Main Board of The Stock Exchange of Hong Kong Limited since July 2019. Mr. Chan received a Bachelor of Social Science degree from the University of Hong Kong in 1971. Mr. Chan has been appointed as an independent non-executive Director of the Company since September 2012.

YUE Chao-Tang, Thomas, aged 67, is an independent non-executive Director of the Company, the chairman of the Audit Committee and a member of the Corporate Governance Committee, the Nomination Committee and the Remuneration Committee of the Board. Mr. Yue was a partner and director of the Global Advisory Council of Ernst & Young from 1998 to 2001, and became the deputy chairman and chairman of Ernst & Young from 2001 to 2004 and from 2004 to 2007 respectively. Currently he is the president of Tien-Yeh Accounting Firm. He has been in the accounting profession for over 40 years. Mr. Yue also holds various positions in the academic field. He is a visiting professor of both the Accounting Faculty of the National Chung Hsing University and the Accounting and Information Research Institute of the Asia University. From June 2008 to June 2014, Mr. Yue was an independent director of WPG Holdings Limited (Stock Code: 3702), the shares of which are listed on the Taiwan Stock Exchange. From June 2011 to June 2020, Mr. Yue was an independent director of O-Bank (Stock Code: 2897), the shares of which are listed on the Taiwan Stock Exchange. In addition, he was a director of Taiwan Corporate Governance Association. Mr. Yue is currently an independent director of Uni-President Enterprises Corp. (Stock Code: 1216), Johnson Health Tech. Co., Ltd. (Stock Code: 1736) and Feng Hsin Steel Co., Ltd. (Stock Code: 2015) respectively, companies listed on the Taiwan Stock Exchange. Mr. Yue received a master's degree and a bachelor's degree in accounting from the National Cheng-Chi University and the National Cheng-Kung University respectively. In addition, Mr. Yue received a master's degree in business administration from China Europe International Business School. Mr. Yue has been a certified public accountant of Taiwan since 1983. Mr. Yue has been appointed as an independent non-executive Director of the Company since January 2013.

LIAN Jie, aged 46, is an independent non-executive Director of the Company, and a member of the Audit Committee and the Nomination Committee of the Board. Mr. Lian is currently Co-CEO of Perfect World Co., Ltd. (Stock Code: 2624), a leading Chinese entertainment company listed on the Shenzhen Stock Exchange principally engaged in the game, movie and TV drama businesses. From 2010 to 2016, Mr. Lian was the founding partner of Primavera Capital Group, which is a private equity firm focusing on the Chinese market. He currently serves as Senior Advisor to Primavera Capital Group. From 2009 to 2010, Mr. Lian served as the Managing Director in the Investment Banking Division of China International Capital Corporation ("CICC"), which was based in Hong Kong. Prior to joining CICC, Mr. Lian had been the Managing Director of the Investment Banking Division of Goldman Sachs in Hong Kong for more than eight years. From 2011 to 2016, Mr. Lian was an independent director of Bona Film Group Limited which was a company listed on the NASDAQ Stock Market and privatised in May 2016. From 2011 to 2018, Mr. Lian was a non-executive director of China XLX Fertiliser Ltd. (Stock Code: 1866), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). From 2013 to 2018, Mr. Lian was an independent non-executive director of Bosideng International Holdings Limited (Stock Code: 3998), a company listed on the Main Board of the Stock Exchange. Mr. Lian graduated with a MBA degree from the Tuck School of Management, Dartmouth College in Hanover, New Hampshire, United States. Mr. Lian has been appointed as an independent non-executive Director of the Company since February 2017.

SHI Nan Sun, aged 69, is an independent non-executive Director of the Company and a member of the Nomination Committee of the Board. Ms. Shi is the founder and the executive director of Film Workshop Co., Ltd. She has over 30 years of experience in the film industry and has produced or co-produced numerous Chinese-language movies, including serving as the executive producer of Infernal Affairs (which was remade into the Hollywood film, The Departed). In addition, Ms. Shi has held senior positions in several entertainment and media companies in Hong Kong, including Cinema City Company Ltd. from 1981 to 1987 as controller with overall responsibility for production, distribution and administration. From 1991 to 1996 she was with the CIM Group, where her responsibilities included the establishment of joint ventures in the PRC and the launch of Chinese Television Network. From 2006 to 2012, Ms. Shi served as a director of Bona Film Group Limited (a company listed on the NASDAQ Stock Market and privatised in May 2016). From 2001 to 2003, she served as an executive director of eSun Holdings Limited (Stock Code: 571), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Ms. Shi was a member of the Hong Kong Tourism Board from April 2013 to March 2019. Ms. Shi is a vice chairman of the End Child Sexual Abuse Foundation. Ms. Shi holds a Bachelor's degree in Statistics and Computing from the Polytechnic of North London. Ms. Shi has been appointed as an independent non-executive Director of the Company since January 2019.

SENIOR MANAGEMENT

Business Division

CHEN Tung-Jui, aged 59, is the General Manager of the Men's Footwear Division of the Group. Mr. Chen has been with the Group since 1985. He has over 35 years of experience in the footwear industry. He is also a director of certain subsidiaries of the Company which are engaged in manufacturing business.

YANG Chen-Ning, aged 56, is the General Manager of Overseas Footwear Division of the Group. Mr. Yang joined the Group in 1986. He has over 35 years of experience in the footwear industry. He is also a director of certain subsidiaries of the Company which are engaged in manufacturing business. Mr. Yang is the cousin of Chen Li-Ming, Lawrence, an executive Director.

GILLMAN Charles, aged 59, is the General Manager of Sports Footwear Division of the Group. Mr. Gillman joined the Group in 2018. Prior to joining the Group, he was the senior vice president (worldwide sourcing) at Caleres, Inc. (formerly known as Brown Shoe Company), until 2017 after 35 years of service. He holds a Bachelor of Science degree in Business Administration from the Indiana University.

Corporate Division

TAM Siu Ming, Andrew, aged 43, is the Chief Financial Officer of the Group. He joined the Group in April 2020. Mr. Tam has more than 20 years of experience in corporate finance advisory, investment banking and investment management. Prior to joining the Group, he was Executive Vice President at Li & Fung Limited, which was then listed on the Main Board of The Stock Exchange of Hong Kong Limited, where he led the corporate finance, financial planning and analysis, treasury and investor relations functions. From 2002 to 2005, he was a member of the Microsoft Corporate Strategy and Development team, where he worked on various investments, acquisitions and strategic projects. From 2000 to 2002, he was a member of the Technology mergers and acquisitions team in Credit Suisse First Boston in Palo Alto, California focusing on mergers and acquisitions advisory in the technology sector. Mr. Tam holds a Bachelor of Arts Degree, in Economics awarded by the University of California at Berkeley, the United States and a Master Degree of Business Administration awarded by Harvard University, Boston, United States.

WEI Joe, aged 48, is the Director of Business Development and Planning of the Group. Mr. Wei joined the Group in 2015. He is currently responsible for enhancing corporate management, developing the Group's global retail and branding business and optimising the Group's investments portfolio. Prior to joining the Group, he held various senior management positions and had proficient experiences in diversified industries including manufacturing, merchandising/procurement, IT consultant, internet computer gaming, e-commerce, retail sales/televised shopping, retail property management, sports management and sponsorship, and husbandry nutrition supply in his professional career. From 2013 to 2015, he served as Vice President (Investment Division) at Chinatrust Commercial Bank. He holds a Bachelor of Science degree in General Management from the Boston University, Boston, United States.

ENDEAVOUR TO MAINTAIN EFFECTIVE COMMUNICATION WITH SHAREHOLDERS

DIRECTORS' REPORT

The board (the "Board") of directors (the "Directors") of Stella International Holdings Limited (the "Company") is pleased to present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the Group are development, manufacturing and sales of footwear products. Particulars of the principal activities of the Company's major subsidiaries are set out in note 1 to the consolidated financial statements of the Group for the year ended 31 December 2020.

BUSINESS REVIEW

For details of business review in relation to the development, performance or position of the Company's business, please refer to the sections headed "Management Discussion and Analysis" and "Environmental, Social and Governance Report" of this annual report. The foregoing sections form parts of the business review as contained in this Directors' Report.

DIVIDEND POLICY

The Company has adopted a dividend policy ("Dividend Policy"), pursuant to which the Company may declare and distribute dividends to the shareholders of the Company. Our Dividend Policy aims to provide stable and consistent dividends with steady growth when supported by our earnings whilst ensuring that sufficient financial resources can be maintained to fund our business growth. The Board targets a 70% cash return to the shareholders of the Company in the form of dividends and share buyback.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 110.

Given the COVID-19 pandemic and the consequential very challenging business circumstances in which the Group found itself in 2020, the Board does not recommend the declaration of an annual dividend for the year under review.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 10 May 2021 to 13 May 2021 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending and voting at the forthcoming AGM of the Company, 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 May 2021.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2020 are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year ended 31 December 2020 are set out in note 28 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results of the Group for the last five financial years and its consolidated assets and liabilities as at the end of the last five financial years is set out on page 198.

BANK BORROWINGS

Details of bank borrowings for the year ended 31 December 2020 are set out in note 27 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity and note 29 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to Shareholders as at 31 December 2020 were US$379.4 million (2019: US$378.9 million).

DIRECTORS

The Directors of the Company during the year under review were:

Executive Directors:
Chen Li-Ming, Lawrence
Chi Lo-Jen

Non-Executive Directors:
Chiang Jeh-Chung, Jack
Chao Ming-Cheng, Eric

Independent Non-executive Directors:
Chen Johnny
Bolliger Peter
Chan Fu Keung, William, *BBS*
Yue Chao-Tang, Thomas
Lian Jie
Shi Nan Sun

In accordance with article 87 (1) of the Company's articles of association, Chi Lo-Jen, Chen Johnny, Chan Fu Keung, William, *BBS*, and Shi Nan Sun will retire by rotation at the forthcoming AGM of the Company.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM of the Company has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

The service agreements entered into by the Company with each of the executive Directors, which are currently in force and were in force during the year ended 31 December 2020, contain indemnity provisions which are permitted indemnity provisions under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) subject to the limitations specified in sections 468 and 469 thereof, for the benefit of the executive Directors. Pursuant to such provisions, the Company shall indemnify any executive Director against any liability, loss suffered and expenses incurred by the executive Director in connection with any legal proceedings in which he is involved by reason of being a Director, and in which the judgment is given in his favour or in which he is acquitted. The Company has also taken out and maintained appropriate insurance cover to indemnify the Directors for liabilities that may arise out of corporate activities. The insurance coverage is reviewed on an annual basis. During the year ended 31 December 2020, no claims were made against the Directors.

CONTRACTS OF SIGNIFICANCE AND RELATED PARTY TRANSACTIONS

None of the Directors had, at any time during or at the end of the year under review, whether directly or indirectly, a material interest in any contract of significance in relation to the Group's business to which the Company or any of its subsidiary was a party.

No contract of significance had been entered into between the Company or any of its subsidiaries, and the controlling shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules")) of the Company or any of its subsidiaries.

Save for the supply of footwear products to the CAH Group (as defined below) and Max Branding Group (as defined below), the provision of a guarantee to an associate and the payment of compensation to key management personnel of the Group, none of the related party transactions disclosed in note 35 to the consolidated financial statements constitutes a connected transaction or continuing connected transaction of the Company as defined in Chapter 14A of the Listing Rules.

The supply of footwear products to the CAH Group and Max Branding Group is subject to the announcement, annual review and reporting requirements but exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules, and the Company has duly complied with the applicable requirements in respect thereof. Further details of the transaction are set out in the section headed "Continuing Connected Transactions" below. The other connected transactions or continuing connected transactions mentioned in the paragraph above are fully exempt from the shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group (other than contracts of service with any Director or any person engaged in full time employment of the Group) were entered into or existed during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" and "Long Term Incentive Scheme" below, at no time during the year under review was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received the annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors. The Company considers all of the independent non-executive Directors of the Company independent.

DISCLOSURE OF INTERESTS

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

As at 31 December 2020, 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") (Cap.571 of the Laws of Hong Kong), 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 ("Model Code") contained in Appendix 10 to the Listing Rules were as follows:

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

		Number of Shares				
Director	Capacity/Nature of Interest	Personal Interest	Corporate Interest	Number of Underlying Shares	Total	Approximate Percentage of Shareholding
Bolliger Peter	Beneficial owner	150,000	–	–	150,000	0.02%
Chan Fu Keung	Beneficial owner	50,000	–	–	50,000	0.01%
Chao Ming-Cheng, Eric	Beneficial owner and interest of controlled corporation	238,500	30,364,612 *(Note 1)*	–	30,603,112	3.85%
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	–	3,341,750 *(Note 3)*	5,125,250	0.64%
Chiang Jeh-Chung, Jack	Beneficial owner and interest of controlled corporation	331,500	41,725,918 *(Note 4)*	–	42,057,418	5.29%

Notes:

1. These interests were held by Perfect Epoch Limited, the entire issued share capital of which was held by Chao Ming-Cheng, Eric. Chao Ming-Cheng, Eric was deemed to be interested in the shares of the Company in which that company was interested by virtue of the SFO.

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 Options (as defined in the paragraphs headed "The 2007 Scheme" and "The 2017 Scheme" in the section headed "Other Information" below) granted under the 2007 Scheme (as defined in the paragraphs headed "The 2007 Scheme" in the section headed "Other Information" below, out of which 1,025,250 Options were vested but not yet exercised).

4. These interests were held by Merci Capital Limited, the entire issued share capital of which was held by Chiang Jeh-Chung, Jack. Chiang Jeh-Chung, Jack was deemed to be interested in the shares of the Company in which that company was interested by virtue of the SFO.

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executive of the Company had an interest or short position in the shares, underlying shares or 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 31 December 2020, 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
Cordwalner Bonaventure Inc.	Beneficial owner	262,112,214	33.00%
Invesco Hong Kong Limited	Investment manager	39,925,000	5.02%

Save as disclosed above, as at 31 December 2020, 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 or 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 Division 2 and 3 of Part XV of the SFO.

CONTINUING CONNECTED TRANSACTIONS

Supply of Stella Branded Products to CAH Group

On 19 July 2017, 興記時尚（中國）有限公司 (Stella Fashion (China) Limited*) ("SFC") as supplier and Couture Accessories Holding Limited ("CAH") as distributor entered into an exclusive distribution agreement (the "2017 Exclusive Distribution Agreement"), pursuant to which SFC shall grant the CAH Group the exclusive right to distribute the footwear products, leather goods and accessories bearing certain trademarks owned by the Group (the "Stella Branded Products") in the PRC. On 20 December 2019, SFC and CAH entered into a new exclusive distribution agreement to renew the 2017 Exclusive Distribution Agreement on substantially the same terms for three years until 31 December 2022 (the "2019 Exclusive Distribution Agreement").

The CAH Group shall open and operate points of sales, including mono brand stores, shops in shop, outlets, concessionary counters and corners bearing various brands owned by the Group in the PRC to market the Stella Branded Products. In addition, the CAH Group may distribute and market the Stella Branded Products in the PRC to franchisees and/or sub-distributors and market and sell the Stella Branded Products through the internet provided that the destination for delivery of the Stella Branded Products sold shall be within the PRC. The CAH Group shall not practice any kind of active advertising of the Stella Branded Products outside the PRC.

The price for any particular Stella Branded Product to be supplied by SFC shall be calculated on the basis of the ex-factory price charged by the Group for the manufacture of such product and multiplied by a fixed multiplier as specified in the 2019 Exclusive Distribution Agreement applicable to each brand of the Stella Branded Product. All such fixed multipliers do not exceed two. CAH, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is owned as to 60% by Max Holdings. Max Holdings is indirectly owned as to approximately 64.75% by Chiang Chih-Chung, who is the brother of Chiang Jeh-Chung, Jack, a non-executive Director. As such, CAH is an associate of Chiang Jeh-Chung, Jack and connected person of the Company under the Listing Rules, and the transactions contemplated under the 2017 Exclusive Distribution Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Group supplied Stella Branded Products to CAH Group amounting to RMB84,167,000 (equivalent to approximately US$12,160,000), which did not exceed the aggregate annual cap of RMB250,000,000 (equivalent to approximately US$36,117,000) for the financial year ended 31 December 2020.

Supply of What For Products to Max Branding Group

On 21 January 2019, Stella Fashion Group Limited ("SFG") as supplier and Max Branding Limited ("Max Branding") (for itself and as trustee for the benefit of the Max Branding and its subsidiaries (the "Max Branding Group")) as purchaser entered into the exclusive distribution agreement (the "2019 Exclusive Distribution Agreement"), pursuant to which SFG shall grant Max Branding Group the exclusive right to distribute footwear products bearing the trademark "What For" (the "What For Products") in various countries in Europe, Africa and the Middle East. The price for any particular What For Product to be supplied by SFG shall be calculated on the basis of a fixed discount, being not less than 83.6%, as specified in the 2019 Exclusive Distribution Agreement to the then applicable recommended retail price of the What For Product as at the date of the acceptance or confirmation by SFG of the order for the supply of the What For Product.

Max Branding, the issued share capital of which is indirectly owned as to approximately 64.75% by Chiang Chih-Chung, who is the brother of Chiang Jeh-Chung, Jack, a non-executive Director. As such, Max Branding is an associate of Chiang Jeh-Chung, Jack and connected person of the Company under the Listing Rules, and the transactions contemplated under the 2019 Exclusive Distribution Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Group supplied What For Products to Max Branding Group amounting to EUR951,000 (equivalent to approximately US$1,068,000), which did not exceed the aggregate annual cap of EUR7,000,000 (equivalent to approximately US$7,980,000) for the financial year ended 31 December 2020.

Compliance with the Reporting and Announcement Requirements

The continuing connected transactions described above require compliance with the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules.

The Company confirmed that it has complied with the disclosure requirements as applicable to the above continuing connected transactions under chapter 14A of the Listing Rules.

Annual review by independent non-executive directors and auditors

The independent non-executive Directors have, for the purpose of Rule 14A.55 of the Listing Rules, reviewed all continuing connected transactions and have confirmed that all continuing connected transactions have been entered into by the Group in the ordinary and usual course of its business, on normal commercial terms and according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditors of the Company to report on the continuing connected transactions of the Group. The auditors of the Company have provided a letter to the Board confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions:

(1) have not been approved by the Board;

(2) were not, in all material respects, in accordance with the pricing policies of the Group;

(3) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(4) have exceeded the cap.

REMUNERATION POLICY

The Group cultivates a caring culture among the employees and believes that human resources are significant assets to the Group's development and expansion. The Group seeks to build the management team internally through effective training and development programs. The Group adopts a remuneration system based on employees' individual performance, skill and knowledge, together with reference to the Group's operating results and comparable market benchmarks.

The emoluments of the Directors are first reviewed by the remuneration committee of the Board and then approved by the Board, having regard to the Director's skill, knowledge, involvement in the Company's affairs and the performance of each Director, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions.

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 of 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 ("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 ("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 ("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 ("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 ("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, and an aggregate of 24,552,500 Options were granted to the employees and other eligible participants of the Group.

During the year under review, a total of 5,795,750 Options were lapsed. As at 31 December 2020, 10,824,250 Options were outstanding. Details are set out as below:

Category of participants	Outstanding as at 1 January 2020	Date of grant	Number of Options granted	Exercise period	Exercise price	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2020
Director									
Chi Lo-Jen	–	17 March 2017	–	2018 Vesting Date to 16 March 2023	HK$11.48	–	–	–	–
	341,750	17 March 2017	–	2019 Vesting Date to 16 March 2023	HK$11.48	–	–	–	341,750
	683,500	17 March 2017	–	2020 Vesting Date to 16 March 2023	HK$11.48	–	–	–	683,500
	683,500	17 March 2017	–	2021 Vesting Date to 16 March 2023	HK$11.48	–	–	(683,500)	–
	683,500	17 March 2017	–	2022 Vesting Date to 16 March 2023	HK$11.48	–	–	–	683,500
Employees	–	17 March 2017	–	2018 Vesting Date to 16 March 2023	HK$11.48	–	–	–	–
	1,620,500	17 March 2017	–	2019 Vesting Date to 16 March 2023	HK$11.48	–	–	(106,000)	1,514,500
	3,964,000	17 March 2017	–	2020 Vesting Date to 16 March 2023	HK$11.48	–	–	(274,000)	3,690,000
	3,964,000	17 March 2017	–	2021 Vesting Date to 16 March 2023	HK$11.48	–	–	(3,964,000)	–
	3,964,000	17 March 2017	–	2022 Vesting Date to 16 March 2023	HK$11.48	–	–	(255,500)	3,708,500
Other eligible participants	–	17 March 2017	–	2018 Vesting Date to 16 March 2023	HK$11.48	–	–	–	–
	80,750	17 March 2017	–	2019 Vesting Date to 16 March 2023	HK$11.48	–	–	(60,250)	20,500
	211,500	17 March 2017	–	2020 Vesting Date to 16 March 2023	HK$11.48	–	–	(120,500)	91,000
	211,500	17 March 2017	–	2021 Vesting Date to 16 March 2023	HK$11.48	–	–	(211,500)	–
	211,500	17 March 2017	–	2022 Vesting Date to 16 March 2023	HK$11.48	–	–	(120,500)	91,000

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 Scheme. The Engagement Agreement and the Deed were subsequently terminated with effect from 15 July 2013.

As at 31 December 2020, the Trustee maintained a pool of 1,778,000 shares (the "Entrusted Shares") (31 December 2019: 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 the Company); and (ii) account for all other incomes and sales proceeds to the Company.

THE 2017 SCHEME

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

Purpose

The purpose of the 2017 Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider the New Share Option 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.

Maximum number of Shares

The maximum number of Shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2007 Scheme, the 2017 Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the Shares in issue from time to time (i.e. 238,240,350 Shares as at the date of this annual report) (the "Overriding Limit").

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

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

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

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

Maximum entitlement of each participant

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

Grant of options to connected persons

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

Time of acceptance and exercise of option

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

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

Subscription price for Shares and consideration for the option

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

Period

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

During the year under review, 2,700,000 options were granted to an employee of the Group on 15 April 2020 (the "April Scheme") and a total of 17,163,000 Options were granted to a total of 63 eligible participants (the "November Scheme") on 26 November 2020 respectively. Details are set out as below:–

April Scheme

Category of participants	Outstanding as at 1 January 2020	Date of grant	Number of Options granted	Exercise period	Exercise price	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2020
Employee	–	15 April 2020	900,000	2021 Vesting Date *(Note 1)* to 5 July 2027	HK$8.71	–	–	–	900,000
	–	15 April 2020	900,000	2022 Vesting Date *(Note 2)* to 5 July 2027	HK$8.71	–	–	–	900,000
	–	15 April 2020	900,000	2023 Vesting Date *(Note 3)* to 5 July 2027	HK$8.71	–	–	–	900,000

Notes:

1. 2021 Vesting Date = the date of results announcement of the Company for the financial year ended 31 December 2020.
2. 2022 Vesting Date = the date of results announcement of the Company for the financial year ended 31 December 2021.
3. 2023 Vesting Date = the date of results announcement of the Company for the financial year ended 31 December 2022.

November Scheme

Category of participants	Outstanding as at 1 January 2020	Date of grant	Number of Options granted	Exercise period	Exercise price	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2020
Director									
Chi Lo-Jen	–	26 November 2020	316,500	26 November 2021 to 25 November 2030	HK$9.15	–	–	–	316,500
	–	26 November 2020	316,500	26 November 2022 to 25 November 2030	HK$9.15	–	–	–	316,500
	–	26 November 2020	316,500	26 November 2023 to 25 November 2030	HK$9.15	–	–	–	316,500
Employees	–	26 November 2020	5,404,500	26 November 2021 to 25 November 2030	HK$9.15	–	–	–	5,404,500
	–	26 November 2020	5,404,500	26 November 2022 to 25 November 2030	HK$9.15	–	–	–	5,404,500
	–	26 November 2020	5,404,500	26 November 2023 to 25 November 2030	HK$9.15	–	–	–	5,404,500

SHARE AWARD PLAN

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

A trustee (the "Trustee") shall from time to time be appointed by the Company for the purpose of implementation of the Plan pursuant to and in accordance with the terms of the trust deed entered into between the Company as settler and the Trustee as trustee. In order to satisfy any award of Shares to be granted under the Plan from time to time, the Trustee shall maintain a pool of Shares (the "Shares Pool") which shall comprise the following: (a) such Shares as may be purchased by the Trustee on the Stock Exchange or off the market by utilising the funds allocated by the Board out of the Company's resources; (b) such Shares as may be subscribed for by the Trustee by utilising the funds allocated by the Board out of the Company's resources, subject to the Company having obtained the requisite Shareholders' approval for the allotment and issue of new Shares, the grant of listing of and permission to deal in such Shares by the Stock Exchange, and compliance with the applicable requirements under the Listing Rules; (c) such Shares as may be (i) transferred to the Trustee from any person (other than the Group) by way of gift, or (ii) purchased by the Trustee on the Stock Exchange or off the market by utilising the funds received by the Trustee from any person (other than the Group) by way of gift; and (d) such Shares which remain unvested and revert to the Trustee due to the lapse of any award of Shares under the Plan. In any given financial year of the Company, the maximum number of Shares to be subscribed for and/or purchased by the Trustee by utilising the funds to be allocated by the Board out of the Company's resources for the purpose of the Plan shall not exceed 2.5% of the total number of issued Shares as at the beginning of such financial year. The Board shall not instruct the Trustee to subscribe for and/or purchase any Shares for the purpose of the Plan when such purchase and/or subscription will result in such threshold being exceeded.

The Board will make award of Shares only to the extent that there are unallocated Shares available in the Shares Pool. The Board shall notify the Trustee in writing upon the making of an award under the Plan by giving the Trustee an award notice. The Trustee shall then set aside such number of Shares awarded from the Shares Pool and hold the same on trust pending the vesting of the same to the Eligible Participant to whom Shares have been awarded in accordance with the Plan (the "Selected Participant"). The Board may from time to time, at its discretion, determine (i) the earliest date on which the legal and beneficial ownership of any awarded Shares are to be transferred to and vested in any Selected Participant, and (ii) any condition(s) or performance target(s) to be attained by the relevant Selected Participant subject to and upon which the awarded Shares held by the Trustee on trust referable to a Selected Participant shall vest in that Selected Participant.

During the year under review, no award of shares had been made under the Plan.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions amounted to approximately US$35,650.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's largest customer and five largest customers accounted for approximately 36.3% and 68.7% of the Group's total revenue for the year ended 31 December 2020 respectively.

The aggregate purchase attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year ended 31 December 2020.

None of the Directors or any of their close associates or any shareholder (which, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules as at the latest practicable date prior to the issue of this annual report.

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

During the year, the Company repurchased an aggregate of 637,500 ordinary shares for a total consideration of approximately HK$5.74 million on the Stock Exchange. 637,500 ordinary shares were cancelled in 26 February 2021. Details of the shares repurchased are as follows:–

Month of repurchase in 2020	Number of ordinary shares repurchased	Consideration per shares		Aggregate consideration paid
		Highest	Lowest	
		HK$	HK$	HK$ million
December 2020	637,500	9.00	8.85	5.74

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 year.

AUDITOR

Ernst & Young was appointed as the new auditor of the Company on 19 November 2018 to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu, who resigned from the office with effect from 19 November 2018. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Ernst & Young as auditor of the Company for the year ending 31 December 2021.

The financial statements of the Company for the year ended 31 December 2020 were audited by Ernst & Young.

On behalf of the Board

Chen Li-Ming, Lawrence
Chairman

18 March 2021

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To the shareholders of Stella International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Stella International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 110 to 197, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses on trade and other receivables As at 31 December 2020, the carrying amount of the Group's trade and other receivables was US$327.3 million, representing approximately 28.5% of total assets. As at 31 December 2020, the expected credit losses ("ECLs") of trade and other receivables amounted to US$14.9 million. The measurement of ECLs required the application of significant management judgement and increased complexity which included the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as the expected future cash flows and forward-looking macroeconomic factors. Due to the significance of trade and other receivables and the corresponding uncertainty inherent in such estimates, we considered this as a key audit matter. The significant accounting judgements and estimates and the disclosure of the ECL provision on trade and other receivables are included in notes 3, 21 and 22 to the financial statements.	Our audit procedures included the assessment of the effectiveness of key controls over the application of the impairment methodology, inputs and assumptions used by the Group in calculating the ECLs. We assessed the Group's ECL models, including the model input, model design and model performance. We assessed the management classification of internal credit rating and tested the model inputs against the historical customer payment record and the ageing of trade and other receivables, subsequent settlements after the year end, and other information relating to the creditworthiness of customers. We reviewed the forward-looking adjustments, including the economic variables and assumptions used. We also assessed and tested the sensitivity of the credit loss provisions to changes in modelling assumptions. We also assessed the adequacy of the financial statements disclosures relating to the Group's exposure to credit risk.
Net realisable value of inventories As at 31 December 2020, the carrying amount of the Group's inventories was US$185.0 million, representing approximately 16.1% of total assets. As at 31 December 2020, the inventory provision amounted to US$16.0 million. The measurement of inventory provision required significant management judgement in assessing if their net realisable value was lower than the carrying amount of the inventories at the year end. There were also judgements required in determining inventory obsolescence provisions as these were based on forecast inventory usage and sales. Due to the significance of inventories and the corresponding uncertainty inherent in such estimates, we considered this as a key audit matter. The significant accounting judgements and estimates and the disclosure of inventories are included in notes 3 and 20 to the financial statements.	Our audit procedures included attending inventory counts to observe the physical condition of a sample of inventories selected as at the year end. We assessed the obsolescence provision policy and compared the provision with historical data and actual inventory usage. We also assessed the net realisable value by comparing the unit prices of subsequent sales with the unit costs for significant items.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lam Wai Ming, Ada.

Ernst & Young
Certified Public Accountants
Hong Kong

18 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	2020 US$'000	2019 US$'000
Revenue	*5*	1,135,880	1,544,830
Cost of sales		(934,218)	(1,251,221)
Gross profit		201,662	293,609
Other income	*6*	24,738	24,190
Other losses, net	*6*	(9,225)	(947)
Selling and distribution expenses		(36,422)	(63,739)
Administrative expenses		(176,131)	(154,010)
Impairment losses on financial assets, net	*8*	(5,942)	(1,179)
Share of profit of a joint venture		4,676	6,977
Share of losses of associates		(1,218)	(2,099)
Operating profit before changes in fair value of financial instruments		2,138	102,802
Net fair value loss on financial instruments	*8*	(101)	(1,711)
Operating profit after changes in fair value of financial instruments		2,037	101,091
Interest income	*6*	740	832
Interest expense	*7*	(549)	(1,882)
Profit before tax	*8*	2,228	100,041
Income tax expense	*9*	(1,164)	(4,123)
Profit for the year		1,064	95,918
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		10,197	1,719
Share of other comprehensive income/(loss) of a joint venture and associates		47	(156)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		10,244	1,563
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		11,308	97,481

	Note	2020 US$'000	2019 US$'000
Profit attributable to:			
Owners of the parent		1,685	95,925
Non-controlling interests		(621)	(7)
		1,064	95,918
Total comprehensive income attributable to:			
Owners of the parent		11,918	97,557
Non-controlling interests		(610)	(76)
		11,308	97,481
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*13*		
– Basic (in HK cents)		1.64	94.21
(equivalent to US cents)		0.21	12.10
– Diluted (in HK cents)		1.64	94.08
(equivalent to US cents)		0.21	12.08

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 US$'000	2019 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*14*	411,607	400,293
Investment properties	*15*	5,009	5,178
Right-of-use assets	*16(a)*	45,573	35,558
Investment in a joint venture	*17*	31,155	26,479
Investments in associates	*18*	672	1,843
Deposit for acquisition of a subsidiary	*19*	25,600	–
Deposits for acquisition of property, plant and equipment		4,575	4,147
Total non-current assets		524,191	473,498
CURRENT ASSETS			
Inventories	*20*	184,998	173,088
Trade receivables	*21*	265,309	306,329
Prepayments, deposits and other receivables	*22*	66,302	112,204
Financial assets at fair value through profit or loss	*23*	88	189
Cash and cash equivalents	*24*	108,667	68,061
Total current assets		625,364	659,871
CURRENT LIABILITIES			
Trade payables	*25*	77,280	59,675
Other payables and accruals	*26*	86,909	63,132
Interest-bearing bank borrowings	*27*	2,893	245
Lease liabilities	*16(b)*	4,438	1,851
Tax payable		38,974	41,829
Total current liabilities		210,494	166,732
NET CURRENT ASSETS		414,870	493,139
TOTAL ASSETS LESS CURRENT LIABILITIES		939,061	966,637

	Notes	2020 US$'000	2019 US$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	27	–	2,750
Lease liabilities	16(b)	15,222	4,721
Total non-current liabilities		15,222	7,471
Net assets		923,839	959,166
EQUITY			
Equity attributable to owners of the parent			
Share capital	28	10,165	10,165
Share premium and reserves	29	914,422	949,504
		924,587	959,669
Non-controlling interests		(748)	(503)
Total equity		923,839	959,166

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Chen Li-Ming, Lawrence
Director

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Chi Lo-Jen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Notes	Attributable to owners of the parent												
		Share capital US$'000	Share premium US$'000	Share repurchase reserve US$'000	Merger reserve US$'000 (Note 29(a))	Capital reserve US$'000 (Note 29(b))	Exchange reserve US$'000	Shares held for share award scheme US$'000	Capital redemption reserve US$'000 (Note 29(c))	Share option reserve US$'000	Retained profits US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2020		10,165	155,156	–	38,841	1,146	(2,859)	(2,722)	190	1,936	757,816	959,669	(503)	959,166
Profit for the year		–	–	–	–	–	–	–	–	–	1,685	1,685	(621)	1,064
Other comprehensive income for the year:														
Exchange differences on translation of foreign operations		–	–	–	–	–	10,186	–	–	–	–	10,186	11	10,197
Share of other comprehensive income of a joint venture		–	–	–	–	–	47	–	–	–	–	47	–	47
Total comprehensive income for the year		–	–	–	–	–	10,233	–	–	–	1,685	11,918	(610)	11,308
Acquisition of a subsidiary	*31(a)*	–	–	–	–	–	–	–	–	–	–	–	395	395
Deregistration of subsidiaries		–	–	–	–	–	–	–	–	–	–	–	(30)	(30)
Equity-settled share option arrangements		–	–	–	–	–	–	–	–	(123)	–	(123)	–	(123)
Share repurchased and yet to be cancelled	*28(b)*	–	–	(740)	–	–	–	–	–	–	–	(740)	–	(740)
Final 2019 dividend	*12*	–	–	–	–	–	–	–	–	–	(46,137)	(46,137)	–	(46,137)
At 31 December 2020		10,165	155,156*	(740)*	38,841*	1,146*	7,374*	(2,722)*	190*	1,813*	713,364*	924,587	(748)	923,839

	Notes	Attributable to owners of the parent											
		Share capital US$'000	Share premium US$'000	Merger reserve US$'000 (Note 29(a))	Capital reserve US$'000 (Note 29(b))	Exchange reserve US$'000	Shares held for share award scheme US$'000	Capital redemption reserve US$'000 (Note 29(c))	Share option reserve US$'000	Retained profits US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total equity US$'000
At 1 January 2019		10,160	154,503	45,427	1,146	(4,491)	(2,722)	190	1,151	747,987	953,351	(6,560)	946,791
Profit for the year		–	–	–	–	–	–	–	–	95,925	95,925	(7)	95,918
Other comprehensive income for the year:													
Exchange differences on translation of foreign operations		–	–	–	–	1,788	–	–	–	–	1,788	(69)	1,719
Share of other comprehensive losses of a joint venture and associates		–	–	–	–	(156)	–	–	–	–	(156)	–	(156)
Total comprehensive income for the year		–	–	–	–	1,632	–	–	–	95,925	97,557	(76)	97,481
Acquisition of non-controlling interests	*31(b)*	–	–	(6,586)	–	–	–	–	–	–	(6,586)	6,133	(453)
Issue of shares		5	653	–	–	–	–	–	(70)	–	588	–	588
Equity-settled share option arrangements		–	–	–	–	–	–	–	855	–	855	–	855
Final 2018 dividend	*12*	–	–	–	–	–	–	–	–	(45,579)	(45,579)	–	(45,579)
Interim 2019 dividend	*12*	–	–	–	–	–	–	–	–	(40,517)	(40,517)	–	(40,517)
At 31 December 2019		10,165	155,156*	38,841*	1,146*	(2,859)*	(2,722)*	190*	1,936*	757,816*	959,669	(503)	959,166

* These reserve accounts comprise the consolidated share premium and reserves of US$914,422,000 (2019: US$949,504,000) in the consolidated statement of financial position.

	Notes	2020 US$'000	2019 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		2,228	100,041
Adjustments for:			
Finance costs	7	549	1,882
Share of profit of a joint venture		(4,676)	(6,977)
Share of losses of associates		1,218	2,099
Interest income	6	(740)	(832)
Loss on disposal of items of property, plant and equipment	8	4,228	2,660
Gain on disposal of leasehold land	8	(1,465)	–
Gain on early termination of a lease	8	(6)	–
Fair value losses, net:			
Derivative financial instruments	8	–	1,724
Financial assets at fair value through profit or loss	8	101	(13)
Depreciation of property, plant and equipment	8	43,114	41,113
Depreciation of investment properties	8	723	717
Depreciation of right-of-use assets	8	6,102	3,139
Provision for/(reversal of) impairment of trade receivables	8	3,542	(1,461)
Impairment of other receivables	8	2,400	2,640
Write-down/(write-back) of inventories, net	8	811	(1,915)
Loss on deregistration of subsidiaries	8	282	–
(Reversal of)/provision for equity-settled share option expense	8	(123)	855
		58,288	145,672
Increase in inventories		(12,188)	(1,138)
Decrease in trade receivables		27,299	45,981
Decrease in prepayments, deposits and other receivables		62,982	22,704
Decrease in financial assets at fair value through profit or loss		–	1,493
Increase/(decrease) in trade payables		12,149	(7,265)
Increase in other payables and accruals		27,060	26,133
Decrease in derivative financial instruments		–	(1,724)
Cash generated from operations		175,590	231,856
Interest paid		(258)	(272)
Taxes paid		(4,874)	(8,101)
Net cash flows from operating activities		170,458	223,483

	Notes	2020 US$'000	2019 US$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	6	740	832
Dividends received from an associate and a joint venture		–	4,506
Purchases of items of property, plant and equipment		(49,263)	(65,066)
Additions to investment properties		(226)	–
Acquisition of non-controlling interests		–	(453)
Acquisition of leasehold lands		(244)	(6,931)
Acquisition of a subsidiary	31	(1,744)	–
Deposits paid for acquisition of property, plant and equipment		(1,828)	(1,046)
Deposit paid for acquisition of a subsidiary		(25,600)	–
Proceeds from disposal of property, plant and equipment		4,782	1,930
Proceeds from disposal of leasehold lands		2,083	–
Net cash flows used in investing activities		(71,300)	(66,228)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		338,381	562,751
Repayment of bank loans		(338,638)	(625,215)
Principal portion of lease payments		(4,479)	(1,829)
Dividends paid		(46,137)	(86,096)
Interest paid	7	(291)	(1,610)
Share repurchase		(740)	–
Proceeds from issue of shares		–	588
Net cash flows used in financing activities		(51,904)	(151,411)
NET INCREASE IN CASH AND CASH EQUIVALENTS		47,254	5,844
Cash and cash equivalents at beginning of year		68,061	61,328
Effect of foreign exchange rate changes, net		(6,648)	889
CASH AND CASH EQUIVALENTS AT END OF YEAR		108,667	68,061
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	85,176	46,444
Time deposits with original maturity of less than 3 months when acquired	24	23,491	21,617
Cash and cash equivalents		108,667	68,061

1. CORPORATE AND GROUP INFORMATION

Stella International Holdings Limited (the "Company") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal place of business of the Company is located at Flat C, 20/F, MG Tower, 133 Hoi Bun Road, Kowloon, Hong Kong.

During the year, the Group was involved in the following principal activities:

- manufacturing and sale of footwear and handbag
- trading of footwear
- investment holding

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
P.T. Young Tree Industries	Indonesia	RP106,842,000,000	–	100	Manufacturing of footwear
Stella Europe Trading Limited	Hong Kong	EUR100,000	–	100	Sourcing and distribution of footwear
Stella Fashion Group Limited	The British Virgin Islands ("BVI")	US$4	–	100	Investment holding and wholesaling of footwear
Stella Fashion Italia S.R.L.	Italy	EUR10,000	–	100	Sale and distribution of footwear
Stella Fashion SAS	France	EUR1,000,000	–	100	Retailing of footwear
Stella Footwear Inc.	BVI	US$3,947	–	100	Investment holding and manufacturing and sale of footwear
Stella Footwear (Sampaguita) Company Limited	BVI	US$1	–	100	Manufacturing of footwear
Stella International Design Service S.R.L.#	Italy	EUR50,000	–	51	Design of footwear
Stella International Limited	Vanuatu	US$1	100	–	Investment holding and manufacturing and sale of footwear

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Stella International Marketing Company Limited	Malaysia	US$10,000	100	–	Marketing activities
Stella International Trading (Macao Commercial Offshore) Limited	Macau	MOP200,000	–	100	Sale of footwear
Stella Leather Goods (Ho Chi Minh) Co. Ltd.	Vietnam	USD1,000,000	–	83.5	Manufacturing of handbag
Stella Luna Sol Limited	Hong Kong	HK$1	–	100	Holding of intellectual property rights
Stellaluna (Thailand) Co., Ltd.	Thailand	Baht20,000,000	–	70.1	Retailing of footwear
Stella Romano Trading Limited	Taiwan	NTD1,000,000	–	100	Sale of footwear
Stella Services Limited	Hong Kong	HK$300,000	100	–	Provision of secretary and accounting services
Vietnam Golden Victory Company Limited	Vietnam	USD25,000,000	–	100	Manufacturing of footwear
郴州興昂鞋業有限公司 ("Chenzhou Selena Footwear Company Limited")*	The People's Republic of China (the "PRC")/ Mainland China	US$1,000,000	–	100	Manufacturing of footwear
東莞興昂鞋業有限公司 ("Dongguan Stella Footwear Company Limited")*	The PRC/ Mainland China	HK$191,810,000	–	100	Manufacturing of footwear
洞口興雄鞋業有限公司 ("Dongkou Selena Upper Company Limited")*	The PRC/ Mainland China	US$10,000,000	–	100	Manufacturing of footwear

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
廣西容縣興雄鞋面有限公司 ("Guangxi Rong Yuan Selena Upper Company Limited")*	The PRC/ Mainland China	US$3,000,000	–	100	Manufacturing of footwear
廣西興鵬鞋業有限公司 ("Guangxi Shenandoah Footwear Company Limited")*	The PRC/ Mainland China	US$10,000,000	–	100	Manufacturing of footwear
廣西興萊鞋業有限公司 ("Guangxi Simona Footwear Company Limited")*	The PRC/ Mainland China	US$10,000,000	–	100	Manufacturing of footwear
廣西育祥鞋業有限公司 ("Guangxi Yu Xiang Footwear Company Limited")*	The PRC/ Mainland China	US$8,000,000	–	100	Manufacturing of footwear
懷化興雄鞋業有限公司 ("Huaihua Selena Footwear Company Limited")*	The PRC/ Mainland China	RMB11,134,500	–	100	Manufacturing of footwear
龍川興萊鞋業有限公司 ("Long Chuan Simona Footwear Company Limited")*	The PRC/ Mainland China	HK$220,000,000	–	100	Manufacturing of footwear
隆回興隆鞋材有限公司 ("Longhui Situla Footwear Company Limited")*	The PRC/ Mainland China	RMB10,000,000	–	100	Manufacturing of footwear
隆回興昂鞋業有限公司 ("Longhui Stella Footwear Company Limited")*	The PRC/ Mainland China	US$25,000,000	–	100	Manufacturing of footwear
邵陽連泰鞋業有限公司 ("Shaoyang Liantai Footwear Company Limited")*	The PRC/ Mainland China	RMB163,800,000	–	100	Manufacturing of footwear
邵陽縣興昂鞋業有限公司 ("Shaoyang Yuan Stella Footwear Co., Ltd.")*	The PRC/ Mainland China	RMB30,000,000	–	100	Manufacturing of footwear

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Particulars of the Company's principal subsidiaries are as follows: *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
雙峰興昂鞋業有限公司 ("Shuangfeng Stella Footwear Company Limited")*	The PRC/ Mainland China	HK$135,280,000	–	100	Manufacturing of footwear
興記時尚 (中國) 有限公司 ("Stella Fashion (China) Limited")*	The PRC/ Mainland China	RMB100,000,000	–	100	Retailing of footwear
威縣遠達制鞋有限公司 ("Wei County Yuanta Footwear Company Limited")*	The PRC/ Mainland China	US$10,000,000	–	100	Manufacturing of footwear
興業興萊鞋業有限公司 ("Xingye Simona Footwear Company Limited")*	The PRC/ Mainland China	US$4,400,000	–	100	Manufacturing of footwear
新化興昂鞋業有限公司 ("Xinhua Selena Footwear Company Limited")*	The PRC/ Mainland China	US$2,000,000	–	100	Manufacturing of footwear
新寧興雄鞋業有限公司 ("Xinning Selena Footwear Company Limited")*	The PRC/ Mainland China	US$2,000,000	–	100	Manufacturing of footwear
永州興昂鞋業有限公司 ("Yongzhou Selena Footwear Company Limited")*	The PRC/ Mainland China	RMB6,300,000	–	100	Manufacturing of footwear

* Registered as a wholly-foreign-owned enterprise under PRC law.
\# Deregistered during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They 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 financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a 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. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

The amendment did not have any impact on the financial position and performance of the Group as the Group did not have any lease concession during the year ended 31 December 2020.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

[1] Effective for annual periods beginning on or after 1 January 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after 1 January 2023
[4] No mandatory effective date yet determined but available for adoption
[5] As a consequence of the amendments to HKAS 1, Hong Kong Interpretation *5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
[6] As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

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 RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount 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 amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The Group had certain interest-bearing bank borrowings denominated in New Taiwan dollars ("NTD") based on the Taiwan Interbank Offered Rate as at 31 December 2020. 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 when the "economically equivalent" criterion is met and expects that no significant modification gain or loss will arise as a result of applying the amendments to these changes.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and a joint venture

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and a joint venture are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and a joint venture is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint venture are eliminated to the extent of the Group's investments in the associates or joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or a joint venture is included as part of the Group's investments in associates or a joint venture.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates and a joint venture *(continued)*

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person
- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Freehold land	Not depreciated
Buildings	Over the shorter of the lease terms of the relevant leasehold lands and 5%
Plant and machinery	10% to 20%
Furniture, fixtures and equipment	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Depreciation is calculated on the straight-line basis at 5% per annum to write off the cost of investment properties over their estimated useful lives.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold land	20 to 50 years
Buildings	1 to 10 years

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases *(continued)*

Group as a lessee (continued)

(b) Lease liabilities *(continued)*

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are separately disclosed in the consolidated statement of financial position.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of factories and warehouses (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of factories and warehouse that are considered to be of low value.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as an operating lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under HKFRS 15 *Revenue from Contracts with Customers* in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through arrangement"; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets *(continued)*

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Simplified approach

For trade receivables that do not contain a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on probability of default, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value, and in case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement of financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in “Impairment of financial assets”; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within 3 months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, and associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, and associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of goods

Revenue from the sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

Other income

Interest income is recognised on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instruments or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognised on a time proportion basis over the lease terms.

Refund liabilities

A refund liability is recognised for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 30 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits *(continued)*

Pension schemes (continued)

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Payments to state-managed retirement benefit schemes in jurisdictions other than the PRC are charged as expenses when employees have rendered service entitling them to the contributions.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 12 to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in United States dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries, joint venture and associates are currencies other than the United States dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into United States dollars at the exchange rates prevailing at the end of the reporting period and their profit or loss is translated into United States dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into United States dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into United States dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade and other receivables

The measurement of expected credit losses under HKFRS 9 on trade and other receivables requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses, and the assessment of a significant increase in credit risk for other receivables. These estimates are affected by a number of factors, changes in which can result in different allowance amounts. As at 31 December 2020, the carrying amount of the Group's trade and other receivables was US$327,333,000 (2019: US$414,386,000) and the expected credit losses ("ECLs") of trade and other receivables amounted to US$14,893,000 (2019: US$12,509,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Provision for expected credit losses on trade and other receivables (continued)

The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The significant estimates involved in the determination of the inputs applied in the ECL models include: the Group's internal credit grading, which assigns probabilities of default to the individual grades; the segmentation of trade receivables based on risk characteristics of the customers and by geographical location when their ECLs are assessed on a collective basis; development of ECL models, including the various formulas and the choice of inputs over determination of loss given default of the credit exposures; determination of associations between macroeconomic scenarios and, economic inputs, such as nonfarm payroll, purchasing manager index and volatility index, and the effect on probabilities of default, exposures at default and losses given default; and selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Write-down of inventories to net realisable value

Management reviews the condition of inventories of the Group and writes down the carrying amounts of obsolete and slow-moving inventories items which are identified as no longer suitable for sale or use to their respective net realisable values. The Group estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions at the end of the reporting period.

The identification of obsolete and slow-moving inventory items requires the use of judgements and estimates. Where the expectation is different from the original estimate, such difference will impact on the carrying values of inventories and the write-down of inventories recognised in the periods in which such estimates have been made. The carrying amount of inventories at 31 December 2020 was US$184,998,000 (2019: US$173,088,000).

4. 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 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, non-lease-related finance costs, share of profits/(losses) of a joint venture and associates as well as unallocated corporate income, expenses, gains and losses are excluded from such measurement.

During the year 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.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2020

	Manufacturing US$'000	Retailing and wholesaling US$'000	Total US$'000
Segment revenue (note 5)			
Sales to external customers	1,119,278	16,602	1,135,880
Intersegment sales	12,016	–	12,016
	1,131,294	16,602	1,147,896
Reconciliation:			
Elimination of intersegment sales			(12,016)
Revenue			1,135,880
Segment results	169,343	(9,223)	160,120
Reconciliation:			
Interest income			740
Corporate and other unallocated income and gains			24,637
Corporate and other unallocated expenses and losses			(182,978)
Finance costs (other than interest on lease liabilities)			(291)
Profit before tax			2,228
Segment assets	1,022,840	41,620	1,064,460
Reconciliation:			
Corporate and other unallocated assets			85,095
Total assets			1,149,555
Segment liabilities	172,519	10,874	183,393
Reconciliation:			
Corporate and other unallocated liabilities			42,323
Total liabilities			225,716
Other segment information			
Share of profit of a joint venture	4,676	–	4,676
Share of losses of associates	(1,247)	29	(1,218)
Impairment on trade receivables, net	3,653	(111)	3,542
Impairment on other receivables,net	2,396	4	2,400
Depreciation of property, plant and equipment	42,822	292	43,114
Depreciation of right-of-use assets	5,836	266	6,102
Write-down/(write-back) of inventories, net	5,632	(4,821)	811
Income tax expense	1,120	44	1,164
Investment in a joint venture	31,155	–	31,155
Investments in associates	–	672	672
Capital expenditure*	41,596	9,965	51,561

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and deposits for acquisition of property, plant and equipment.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2019

	Manufacturing US$'000	Retailing and wholesaling US$'000	Total US$'000
Segment revenue (note 5)			
Sales to external customers	1,513,969	30,861	1,544,830
Intersegment sales	19,376	–	19,376
	1,533,345	30,861	1,564,206
Reconciliation:			
Elimination of intersegment sales			(19,376)
Revenue			1,544,830
Segment results	233,880	(9,544)	224,336
Reconciliation:			
Interest income			832
Corporate and other unallocated income and gains			20,385
Corporate and other unallocated expenses and losses			(143,902)
Finance costs (other than interest on lease liabilities)			(1,610)
Profit before tax			100,041
Segment assets	1,037,145	54,876	1,092,021
Reconciliation:			
Corporate and other unallocated assets			41,348
Total assets			1,133,369
Segment liabilities	118,636	12,327	130,963
Reconciliation:			
Corporate and other unallocated liabilities			43,240
Total liabilities			174,203
Other segment information			
Share of profit of a joint venture	6,977	–	6,977
Share of losses of associates	(747)	(1,352)	(2,099)
Impairment on trade receivables, net	(1,475)	14	(1,461)
Impairment on other receivables,net	2,634	6	2,640
Depreciation of property, plant and equipment	40,462	651	41,113
Depreciation of right-of-use assets	2,873	266	3,139
Write-down/(write-back) of inventories, net	(4,045)	2,130	(1,915)
Income tax expense	3,371	752	4,123
Investment in a joint venture	26,479	–	26,479
Investments in associates	1,247	596	1,843
Capital expenditure*	72,934	109	73,043

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and deposits for acquisition of property, plant and equipment.

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	2020 US$'000	2019 US$'000
North America	608,331	791,109
Europe	247,915	426,995
The PRC	185,028	186,455
Asia	70,524	97,388
Other countries	24,082	42,883
	1,135,880	1,544,830

The revenue information above is based on the location of the customers.

(b) Non-current assets

	2020 US$'000	2019 US$'000
The PRC	247,347	236,625
Bangladesh	17,039	15,311
Vietnam	150,951	132,079
Indonesia	26,102	24,289
Other countries	82,752	65,194
	524,191	473,498

The non-current asset information above is based on the location of the assets.

Information about major customers

Revenue derived from sales of footwear to customers which accounted for 10% or more of the Group's revenue is set out below:

	2020 US$'000	2019 US$'000
Derived from the manufacturing segment:		
Customer A	411,800	381,420
Customer B	164,213	250,685

5. REVENUE

An analysis of revenue from contracts with customers is as follows:

(i) Disaggregated revenue information

For the year ended 31 December 2020

Segments

	Manufacturing US$'000	Retailing and wholesaling US$'000	Total US$'000
Types of goods			
Sales of footwear and handbag	1,119,278	16,602	1,135,880
Total revenue from contracts with customers	1,119,278	16,602	1,135,880
Geographical markets			
North America	608,327	4	608,331
Europe	243,685	4,230	247,915
The PRC	172,828	12,200	185,028
Asia	70,356	168	70,524
Other countries	24,082	–	24,082
Total revenue from contracts with customers	1,119,278	16,602	1,135,880
Timing of revenue recognition			
Goods transferred at a point in time	1,119,278	16,602	1,135,880
Total revenue from contracts with customers	1,119,278	16,602	1,135,880
Revenue from contracts with customers			
External customers	1,119,278	16,602	1,135,880
Intersegment sales	12,016	–	12,016
	1,131,294	16,602	1,147,896
Intersegment adjustments and eliminations	(12,016)	–	(12,016)
Total revenue from contracts with customers	1,119,278	16,602	1,135,880

5. REVENUE *(continued)*

An analysis of revenue from contracts with customers is as follows: *(continued)*

(i) Disaggregated revenue information *(continued)*

For the year ended 31 December 2019

Segments

	Manufacturing US$'000	Retailing and wholesaling US$'000	Total US$'000
Types of goods			
Sales of footwear	1,513,969	30,861	1,544,830
Total revenue from contracts with customers	1,513,969	30,861	1,544,830
Geographical markets			
North America	790,902	207	791,109
Europe	417,666	9,329	426,995
The PRC	166,060	20,395	186,455
Asia	96,853	535	97,388
Other countries	42,488	395	42,883
Total revenue from contracts with customers	1,513,969	30,861	1,544,830
Timing of revenue recognition			
Goods transferred at a point in time	1,513,969	30,861	1,544,830
Total revenue from contracts with customers	1,513,969	30,861	1,544,830
Revenue from contracts with customers			
External customers	1,513,969	30,861	1,544,830
Intersegment sales	19,376	–	19,376
	1,533,345	30,861	1,564,206
Intersegment adjustments and eliminations	(19,376)	–	(19,376)
Total revenue from contracts with customers	1,513,969	30,861	1,544,830

5. REVENUE *(continued)*

An analysis of revenue from contracts with customers is as follows: *(continued)*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods and standard payment terms are generally 30 days and selected customers up to 90 days from delivery, except for new customers, where payment in advance is normally required.

6. OTHER INCOME AND OTHER LOSSES, NET

	2020 US$'000	2019 US$'000
Other income		
Rental income	3,586	4,210
Sales of scrap	1,750	1,399
Government subsidies*	10,319	7,725
Others	9,083	10,856
	24,738	24,190
Other losses, net		
Loss on disposal of items of property, plant and equipment	(4,228)	(2,660)
Loss on work stoppage	(2,766)	–
Gain on disposal of leasehold land	1,465	–
Gain on early termination of a lease	6	–
Loss on deregistration of subsidiaries	(282)	–
Foreign exchange differences, net	(3,420)	1,713
	(9,225)	(947)
Interest income		
Bank interest income	420	350
Interest income from financial assets at fair value through profit or loss	320	482
	740	832

* Included in government subsidies, amounts of US$1,980,000 were related to financial supports of COVID-19 in different regions including the Hong Kong Special Administrative Region ("HKSAR") and the PRC.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2020 US$'000	2019 US$'000
Interest on bank loans	291	1,610
Interest on lease liabilities	258	272
	549	1,882

8. PROFIT BEFORE TAX

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

	Notes	2020 US$'000	2019 US$'000
Cost of inventories sold		933,407	1,253,136
Depreciation of property, plant and equipment	*14*	43,114	41,113
Depreciation of investment properties	*15*	723	717
Depreciation of right-of-use assets	*16(a), 16(c)*	6,102	3,139
Research and development costs		44,394	56,254
Lease payments not included in the measurement of lease liabilities	*16(c)*	730	575
Auditors' remuneration		564	571
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 10)):			
Wages and salaries		282,361	314,739
(Reversal of)/provision for equity-settled share option expense		(123)	855
Pension scheme contributions		734	754
Severance pay and other related costs		52,452	25,856
		335,424	342,204
Impairment of financial assets:			
Provision for/(reversal of) impairment of trade receivables, net	*21*	3,542	(1,461)
Provision for impairment of other receivables, net	*22*	2,400	2,640
		5,942	1,179

8. PROFIT BEFORE TAX *(continued)*

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

	2020 US$'000	2019 US$'000
Fair value loss, net:		
Derivative financial instruments	–	1,724
Financial assets at fair value through profit or loss	101	(13)
	101	1,711
Write-down/(write-back) of inventories, net	811	(1,915)
Loss on disposal of items of property, plant and equipment	4,228	2,660
Gain on disposal of leasehold land	(1,465)	–
Gain on early termination of a lease	(6)	–
Loss on deregistration of subsidiaries	282	–
Foreign exchange differences, net	3,420	(1,713)

9. INCOME TAX

Tax on profits assessable in the PRC has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% (2019: 25%) during the year.

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, 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 (2019: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 16.5%).

Macau Complementary Tax has been provided at the rate of 12% (2019: 12%) on the estimated assessable profits arising in Macau during the year. 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.

9. INCOME TAX *(continued)*

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

	2020 US$'000	2019 US$'000
Current – PRC		
Charge for the year	5,548	15,144
Overprovision in prior years	(4,634)	(11,560)
Current – Hong Kong		
Charge for the year	7	–
Overprovision in prior years	(20)	–
Current – Elsewhere		
Charge for the year	238	539
Underprovision in prior years	25	–
	1,164	4,123

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 US$'000	2019 US$'000
Profit before tax	2,228	100,041
Tax at the statutory tax rate at 25% (2019: 25%)	557	25,010
Lower tax rates for subsidiaries operating in other jurisdictions	1,475	(1,327)
Adjustments in respect of current tax of previous periods	(4,629)	(11,560)
Profits and losses attributable to a joint venture and associates	(889)	(1,931)
Income not subject to tax	(2,477)	(11,752)
Expenses not deductible for tax	6,972	2,921
Tax losses not recognised	155	2,762
Income tax expense	1,164	4,123

9. INCOME TAX *(continued)*

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, the Group will retain all of the distributable profits of the subsidiaries in the PRC for its operation in Mainland China and no dividend will be declared in foreseeable future. Hence, no provision for withholding tax was made. The aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised totalled approximately US$49,806,000 at 31 December 2020 (2019: US$35,214,000).

The Group has tax losses arising in Hong Kong of US$2,528,000 (2019: US$2,483,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of US$19,784,000 (2019: US$19,194,000) that will expire in 1 to 5 years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Chief executive's and directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) (a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 US$'000	2019 US$'000
Fees	692	497
Other emoluments:		
Salaries, allowances and benefits in kind	474	617
Performance related bonuses*	250	1,800
Equity-settled share option expense	13	104
Pension scheme contributions	–	1
	737	2,522
	1,429	3,019

* Certain executive directors of the Company are entitled to bonus payments which are determined with reference to the financial performance of the Group and are first reviewed by the remuneration committee of the board of directors ("Board") and then approved by the Board for the years ended 31 December 2019 and 2020.

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

A director was granted share options, in respect of his services to the Group, under the share option scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020 US$'000	2019 US$'000
Mr. Chen Johnny	66	61
Mr. Bolliger Peter	58	54
Mr. Chan Fu Keung, William	72	67
Mr. Yue Chao-Tang, Thomas	73	68
Mr. Lian Jie	57	52
Ms. Shi Nan Sun	49	43
	375	345

There was no other emolument payable to the independent non-executive directors during the year (2019: Nil).

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive director, non-executive directors and the chief executive

	Notes	Fees US$'000	Salaries, allowances and benefits in kind US$'000	Performance related bonuses US$'000	Equity-settled share option expense US$'000	Pension scheme contributions US$'000	Total remuneration US$'000
2020							
Executive director:							
Mr. Chen Li-Ming, Lawrence	*(c)*	43	62	–	–	–	105
Chief executive:							
Mr. Chi Lo-Jen	*(b)*	43	412	250	13	–	718
Non-Executive directors:							
Mr. Chiang Jeh-Chung, Jack	*(a)*	120	–	–	–	–	120
Mr. Chao Ming-Cheng, Eric	*(a)*	112	–	–	–	–	112
		232	–	–	–	–	232
		318	474	250	13	–	1,055
2019							
Executive director:							
Mr. Chen Li-Ming, Lawrence	*(c)*	38	61	400	–	1	500
Chief executive:							
Mr. Chi Lo-Jen	*(b)*	38	410	500	104	–	1,052
Non-Executive directors:							
Mr. Chiang Jeh-Chung, Jack	*(a)*	38	77	500	–	–	615
Mr. Chao Ming-Cheng, Eric	*(a)*	38	69	400	–	–	507
		76	146	900	–	–	1,122
		152	617	1,800	104	1	2,674

Notes:

(a) Mr. Chiang Jeh-Chung, Jack, and Mr. Chao Ming-Cheng, Eric, were re-designated from executive directors to non-executive directors of the Company with effect from 21 March 2019.

(b) Mr. Chi Lo-Jen was appointed as the chief executive officer with effect from 1 January 2019.

(c) Mr. Chen Li-Ming, Lawrence resigned as the chief executive officer with effect from 1 January 2019 but remained as an executive director of the Company.

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive director, non-executive directors and the chief executive *(continued)*

During the year, no remuneration was paid by the Group to any of these directors as an inducement to join or upon joining the Group, or as a compensation for loss of office (2019: Nil). There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2019: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included a director and the chief executive (2019: three directors and the chief executive), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining three (2019: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 US$'000	2019 US$'000
Salaries, allowances and benefits in kind	773	263
Performance related bonuses	110	115
Pension scheme contributions	2	1
	885	379

The number of non-executive and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2020	2019
HK$2,000,001 to HK$2,500,000	2	–
HK$2,500,001 to HK$3,000,000	1	1

12. DIVIDENDS

	2020 US$'000	2019 US$'000
Interim – Nil (2019: HK40 cents) per ordinary share	–	40,517
Final declared and paid – HK45 cents per ordinary share for 2019 (2019: HK45 cents per ordinary share for 2018)	46,137	45,579
	46,137	86,096

No final dividend was proposed by the Company in respect of the year ended 31 December 2020.

13. 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 792,999,202 (2019: 792,703,248) in issue during the year.

The calculation of the diluted earnings per share amount for the years ended 31 December 2020 and 2019 is based on the profit for the year 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 used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2020 US$'000	2019 US$'000
Profit attributable to ordinary equity holder of the parent, used in basic earnings per share	1,685	95,925

	Number of shares 2020	Number of shares 2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	792,999,202	792,703,248
Effect of dilution – weighted average number of ordinary shares: Share options	3,012	1,150,290
	793,002,214	793,853,538

14. PROPERTY, PLANT AND EQUIPMENT

	Freehold land US$'000	Buildings US$'000	Plant and machinery US$'000	Furniture, fixtures and equipment US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
At 1 January 2019, net of accumulated depreciation and impairment	5,987	221,348	101,224	20,463	1,316	44,804	395,142
Additions	589	4,814	28,661	3,263	159	27,580	65,066
Depreciation provided during the year	–	(15,334)	(18,049)	(7,223)	(507)	–	(41,113)
Transfers	–	(1,104)	19,017	10,959	1,417	(30,289)	–
Disposals/write-off	–	(7)	(4,207)	(297)	(71)	(19)	(4,601)
Exchange realignment	–	(820)	(737)	242	193	(13,079)	(14,201)
At 31 December 2019 and 1 January 2020, net of accumulated depreciation and impairment	6,576	208,897	125,909	27,407	2,507	28,997	400,293
Additions	802	5,196	16,209	4,099	155	23,843	50,304
Depreciation provided during the year	–	(15,874)	(19,556)	(7,093)	(591)	–	(43,114)
Transfers	–	33,480	1,706	(281)	54	(34,959)	–
Disposals/write-off	–	(2,454)	(5,293)	(716)	(144)	(403)	(9,010)
Acquisition of a subsidiary	–	655	299	201	–	–	1,155
Exchange realignment	192	8,947	2,223	(41)	257	401	11,979
At 31 December 2020, net of accumulated depreciation and impairment	7,570	238,847	121,497	23,576	2,238	17,879	411,607
At 1 January 2019:							
Cost	5,987	315,593	270,715	93,565	9,963	44,804	740,627
Accumulated depreciation and impairment	–	(94,245)	(169,491)	(73,102)	(8,647)	–	(345,485)
Net carrying amount	5,987	221,348	101,224	20,463	1,316	44,804	395,142
At 31 December 2019 and 1 January 2020:							
Cost	6,576	327,559	255,164	73,813	8,558	28,997	700,667
Accumulated depreciation and impairment	–	(118,662)	(129,255)	(46,406)	(6,051)	–	(300,374)
Net carrying amount	6,576	208,897	125,909	27,407	2,507	28,997	400,293
At 31 December 2020:							
Cost	7,570	374,521	249,437	73,677	8,026	17,879	731,110
Accumulated depreciation and impairment	–	(135,674)	(127,940)	(50,101)	(5,788)	–	(319,503)
Net carrying amount	7,570	238,847	121,497	23,576	2,238	17,879	411,607

At 31 December 2020, certain of the Group's freehold land and buildings with a net carrying amount of approximately US$3,887,000 and US$1,943,000, respectively (2019: US$3,695,000 and US$1,923,000) were pledged to secure general banking facilities granted to the Group (note 27).

15. INVESTMENT PROPERTIES

	2020 US$'000	2019 US$'000
Carrying amount at 1 January	5,178	5,980
Addition	226	–
Depreciation	(723)	(717)
Exchange realignment	328	(85)
Carrying amount at 31 December	5,009	5,178

The Group's investment properties consist of 10 industrial properties in the PRC and are depreciated on a straight-line basis at 5% per annum. The Group's investment properties were valued on 31 December 2020 based on valuations performed by Roma Appraisals Limited, an independent professionally qualified valuer, at US$38,646,000 (2019: US$36,150,000). Each year, management decides to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 16 to the financial statements.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the fair value disclosed above:

	Fair value measurement as at 31 December 2020 using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Industrial properties	–	–	38,646	38,646

15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

	Fair value measurement as at 31 December 2019 using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
Industrial properties	–	–	36,150	36,150

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2019: Nil).

The Group has determined that the highest and best use of the industrial properties at the measurement date is their current use.

The fair value was determined based on the discounted cash flow method. Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the assets. The exit yield is normally separately determined and differs from the discount rate.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 24 to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of properties generally have lease terms between 1 year to 10 years. Factories and warehouses generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside of the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold lands US$'000	Properties US$'000	Total US$'000
As at 1 January 2019	23,029	7,121	30,150
Additions	6,931	1,616	8,547
Depreciation provided for the year	(1,070)	(2,069)	(3,139)
As at 31 December 2019 and 1 January 2020	28,890	6,668	35,558
Additions	244	17,684	17,928
Disposal	(2,348)	–	(2,348)
Early termination	–	(111)	(111)
Depreciation provided for the year	(1,273)	(4,829)	(6,102)
Exchange realignment	648	–	648
As at 31 December 2020	26,161	19,412	45,573

16. LEASES *(continued)*

The Group as a lessee *(continued)*

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 US$'000	2019 US$'000
Carrying amount at 1 January	6,572	6,785
New leases	17,684	1,616
Accretion of interest recognised during the year	258	272
Disposal	(117)	–
Payments	(4,737)	(2,101)
Carrying amount at 31 December	19,660	6,572
Analysed into:		
Current portion	4,438	1,851
Non-current portion	15,222	4,721
Carrying amount at 31 December	19,660	6,572

The maturity analysis of lease liabilities is as follows:

	2020 US$'000	2019 US$'000
Analysed into:		
On demand or no later than 1 year	4,438	1,851
1 to 5 years	13,270	4,243
Over 5 years	1,952	478
	19,660	6,572

16. LEASES *(continued)*

The Group as a lessee *(continued)*

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 US$'000	2019 US$'000
Interest on lease liabilities	258	272
Depreciation charge of right-of-use assets	6,102	3,139
Expense relating to short-term leases		
– cost of sales	669	493
Expense relating to leases of low-value assets		
– administrative expenses	61	82
Total amount recognised in profit or loss	7,090	3,986

The Group as a lessor

The Group leases its investment properties (note 15) consisting of 10 industrial properties in the PRC under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits. Rental income recognised by the Group during the year was US$3,586,000 (2019: US$4,210,000), details of which are included in note 6 to the financial statements.

At the end of the reporting period, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2020 US$'000	2019 US$'000
Within 1 year	4,184	4,027
After 1 year but within 2 years	3,279	4,157
After 2 years but within 3 years	3,439	2,985
After 3 years but within 4 years	3,471	3,136
After 4 years but within 5 years	3,237	3,166
After 5 years	10,867	13,193
	28,477	30,664

17. INVESTMENT IN A JOINT VENTURE

	2020 US$'000	2019 US$'000
Share of net assets	31,155	26,479

17. INVESTMENT IN A JOINT VENTURE

The Group's trade payable balance due to the joint venture is disclosed in note 25 to the financial statements.

Particulars of the Group's material joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
Bay Footwear Limited ("Bay Footwear")	Registered capital of 219,924 shares	Bangladesh	49	50	49	Manufacturing of footwear

The Group's shareholding in the joint venture is held through wholly-owned subsidiaries of the Company.

Bay Footwear, which is considered a material joint venture of the Group, acts as the Group's manufacturer of quality footwear products in Bangladesh and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Bay Footwear adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2020 US$'000	2019 US$'000
Cash and bank balances	12,010	12,502
Other current assets	103,702	100,909
Current assets	115,712	113,411
Non-current assets	17,722	15,950
Trade and other payable	(69,853)	(75,323)
Current liabilities	(69,853)	(75,323)
Net assets	63,581	54,038
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	49%	49%
Carrying amount of the investment	31,155	26,479
Revenue	69,572	86,738
Depreciation and amortisation	(1,600)	(2,264)
Interest expenses	(293)	(418)
Profit for the year	9,543	14,238
Total comprehensive income for the year	9,543	14,238
Dividend received	–	922

18. INVESTMENTS IN ASSOCIATES

	2020 US$'000	2019 US$'000
Share of net assets	672	1,843

The Group's trade receivable balances with the associates are disclosed in note 21 to the financial statements.

Particulars of associates are as follows:

Name	Particulars of issued shares held	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Xinji Baodefu Leather Co., Ltd. ("Baodefu")	Ordinary shares	The PRC/ Mainland China	60	Manufacturing and sale of leather products and footwear
Couture Accessories Holding Limited ("CAH")	Ordinary shares	BVI	40	Footwear wholesaling
Couture Accessories Limited	Ordinary shares	Hong Kong	40	Footwear wholesaling

The Group's shareholdings in the associates are held through wholly-owned subsidiaries of the Company.

The Group has discontinued the recognition of its share of losses of Baodefu and CAH because the share of losses of the associates exceeded the Group's interest in the associates and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of these associates for the current year and cumulatively were US$2,046,000 (2019: US$944,000) and US$2,990,000 (2019: US$944,000), respectively.

18. INVESTMENTS IN ASSOCIATES *(continued)*

Baodefu

Baodefu, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the manufacturing and sale of leather products and footwear products and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Baodefu adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2020 US$'000	2019 US$'000
Current assets	14,402	26,785
Non-current assets	8,599	11,664
Current liabilities	(24,238)	(36,372)
Net (liabilities)/assets	(1,237)	2,077
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	60%	60%
Carrying amount of the investment	–	1,247
Revenue	17,295	54,437
Loss for the year	(3,257)	(1,248)
Other comprehensive loss for the year	(57)	(188)
Dividend received	–	3,584

The following table illustrates the aggregate financial information of the Group's other associate that is not individually material:

	2020 US$'000	2019 US$'000
Share of the associate's profit/(loss) for the year	29	(45)
Share of the associate's other comprehensive income/(loss)	47	(43)
Share of the associate's total comprehensive income/(loss)	76	(88)
Carrying amount of the Group's investment in the associate	672	596

19. DEPOSIT FOR ACQUISITION OF A SUBSIDIARY

On 6 August 2020, Subra Footwear Company Limited, a wholly-owned subsidiary of the Group, entered into a share purchase agreement to acquire 60% of issued share capital of PT Tyfountex Indonesia ("SOLO") at a total consideration of US$27,000,000, of which deposits of US$25,600,000 was paid as at 31 December 2020. The consideration for the acquisition will be funded by a combination of internal resources of the Group and the committed external financing from banks. SOLO is a private company incorporated in Indonesia engaged in the manufacturing of handbags. The transaction is expected to be completed in 2021. Upon completion of the acquisition, SOLO will become a non-wholly-owned subsidiary of the Group and the financial statements of SOLO will be consolidated into the consolidated financial statements of the Group.

20. INVENTORIES

	2020 US$'000	2019 US$'000
Raw materials	46,306	38,391
Work in progress	46,956	55,791
Finished goods	91,736	78,906
	184,998	173,088

21. TRADE RECEIVABLES

	2020 US$'000	2019 US$'000
Trade receivables	275,437	313,071
Impairment	(10,128)	(6,742)
	265,309	306,329

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. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of customers, there is no significant concentration of credit risk. The Group does not hold any collateral over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group's trade receivables are amounts due from the Group's associates of US$57,699,000 (2019: US$67,251,000), with provision for expected credit losses amounting to US$2,048,000 (2019: US$549,000), which are repayable on credit terms similar to those offered to the major customers of the Group.

21. TRADE RECEIVABLES *(continued)*

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:

	2020 US$'000	2019 US$'000
Within 1 month	166,522	181,608
1 to 2 months	55,682	82,846
2 to 3 months	20,741	27,932
3 to 6 months	13,014	10,100
6 to 12 months	8,064	1,154
Over 1 year	1,286	2,689
	265,309	306,329

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020 US$'000	2019 US$'000
At beginning of the year	6,742	8,203
Impairment losses, net	3,542	(1,461)
Amounts written off as uncollectible	(156)	–
At end of year	10,128	6,742

An impairment analysis is performed at each reporting date by assigning an internal credit rating with reference to the historical record of the Group and comparing it with comparable companies with published credit ratings to determine the probability of default. Loss given default is estimated based on market information and is adjusted to reflect the effect of credit enhancement and other information of the specific debtors. The loss rate is then adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. Generally, trade receivables are written off if past due for more than 1 year and are not subject to enforcement activity.

21. TRADE RECEIVABLES *(continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables:

	Notes	Expected credit loss rate* %	Gross carrying amount US$'000	Expected credit losses US$'000
As at 31 December 2020				
Class of credit rating				
Class 1 to Class 3	*(i) to (iii)*	0.03-1.40	230,332	–
Class 4	*(iv)*	0.77	34,853	1,906
Class 5	*(v)*	60.23-100.00	10,252	8,222
Total			275,437	10,128
As at 31 December 2019				
Class of credit rating				
Class 1 to Class 3	*(i) to (iii)*	0.02-1.2	304,658	1,101
Class 4	*(iv)*	–	–	–
Class 5	*(v)*	11.03-100.00	8,413	5,641
Total			313,071	6,742

* The range of the expected credit loss rate is due to different geographical locations of the customers.

Notes:

(i) Class 1 customers maintain active business with the Group and have a good repayment history. Receivables were not yet past due.

(ii) Class 2 customers have no recent transactions with the Group but have a good repayment history. Receivables were not yet past due.

(iii) Class 3 customers have past due receivables but the Group expects that the receivables can be recovered.

(iv) Class 4 customers have past due receivables and the Group expects higher risk of irrecoverability for the receivables.

(v) Class 5 customers have past due receivables and the Group has substantial evidence of irrecoverability for the receivables.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020 US$'000	2019 US$'000
Current		
Prepayments	3,721	3,650
Deposits	557	497
Other receivables	66,789	113,824
	71,067	117,971
Loss allowance	(4,765)	(5,767)
	66,302	112,204

The movements in the loss allowance for impairment of other receivables are as follows:

	2020 US$'000	2019 US$'000
At beginning of the year	5,767	19,242
Impairment losses, net	2,400	2,640
Amount written off as uncollectible	(3,402)	(16,115)
At end of year	4,765	5,767

Deposits and other receivables mainly represent rental deposits and receivables from third parties. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default based on the historical record of the Group and the loss given default based on geographical locations. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

As at 31 December 2020 and 2019, there was no other receivable due from Class 4 parties (as defined in note 21 to the financial statements).

As at 31 December 2020, allowance for impairment of other receivables was mainly provided for Class 5 parties (as defined in note 21 to the financial statements). Other receivables due from Class 5 parties before provision for ECL amounted to US$3,664,000 (2019: US$5,515,000) as at 31 December 2020. The ECL rates were 60.23% to 100% (2019: 34.76% to 100%).

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 US$'000	2019 US$'000
Listed debt investments, at fair value	88	189

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

24. CASH AND CASH EQUIVALENTS

	2020 US$'000	2019 US$'000
Cash and bank balances	85,176	46,444
Time deposits	23,491	21,617
Cash and cash equivalents	108,667	68,061

At the end of the reporting period, the Group's cash and bank balances denominated in Renminbi ("RMB") amounted to US$39,966,000 (2019: US$19,208,000). The RMB is not freely convertible into other currencies, however, under China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between 1 day and 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

25. 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:

	2020 US$'000	2019 US$'000
Within 1 month	59,412	47,190
1 to 2 months	10,991	8,701
Over 2 months	6,877	3,784
	77,280	59,675

Included in the trade payables are trade payables of US$20,286,000 (2019: US$12,655,000) 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.

26. OTHER PAYABLES AND ACCRUALS

	Notes	2020 US$'000	2019 US$'000
Refund liabilities		–	5,867
Other payables	*(a)*	28,143	2,122
Accruals		58,371	54,748
Financial guarantee contracts	*(b)*	395	395
		86,909	63,132

Notes:

(a) Other payables are non-interest-bearing and have an average credit term of 3 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 (2019: US$15,000,000), of which US$5,000,000 (2019: US$10,000,000) was utilised by the associate. The Group does not hold any collateral or other credit enhancements over the guarantees.

The Group does not provide financial guarantees except for limited circumstances. All guarantees are approved by the Group's Chief Financial Officer.

27. INTEREST-BEARING BANK BORROWINGS

	31 December 2020			31 December 2019		
	Effective interest rate (%)	Maturity	US$'000	Effective interest rate %	Maturity	US$'000
Current						
Bank loans – secured	0.92	2021	2,893	1.11	2020	245
			2,893			245
Non-current						
Bank loans – secured	–	–	–	1.11	2021	2,750
			2,893			2,995

The maturity of the above bank borrowings is as follows:

	2020 US$'000	2019 US$'000
Analysed into:		
Bank loans:		
Within 1 year or on demand	2,893	245
In the 2 year	–	2,750
	2,893	2,995

Notes:

(a) As at 31 December 2020 and 2019, loans are denominated in NTD.

(b) The Group's bank borrowings are secured by mortgages over the Group's freehold land and buildings, which had an aggregate carrying value at the end of the reporting period of approximately US$3,887,000 and US$1,943,000 (2019: US$3,695,000 and US$1,923,000), respectively.

28. SHARE CAPITAL

	2020 US$'000	2019 US$'000
Authorised:		
5,000,000,000 ordinary shares of HK$0.1 each	63,975	63,975
Issued and fully paid:		
794,780,500 ordinary shares of HK$0.1 each	10,165	10,165

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital US$'000
At 1 January 2019	794,379,500	10,160
Share options exercised (Note (a))	401,000	5
At 31 December 2019, 1 January 2020, and 31 December 2020	794,780,500	10,165

(a) During the year ended 31 December 2019, the subscription rights attaching to 401,000 share options were exercised at the subscription price of HK$11.48 per share (note 30), resulting in the issue of 401,000 shares for a total cash consideration, before expenses of US$588,000. An amount of US$5,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

(b) During the year ended 31 December 2020, the Company repurchased its own shares through the Stock Exchange as follows:

	Number of shares	US$'000
As at 1 January 2020	–	–
Shares repurchased	637,500	740
As at 31 December 2020	637,500	740

28. SHARE CAPITAL *(continued)*

(b) During the year ended 31 December 2020, the Company repurchased its own shares through the Stock Exchange as follows: *(continued)*

	Number of shares	Highest price per share HK$	Lowest price per share HK$	Aggregate consideration paid US$'000
28 December 2020	6,500	8.85	8.85	7
30 December 2020	275,000	9.00	9.00	320
31 December 2020	356,000	9.00	8.97	413
	637,500			740

During the year ended 31 December 2020, 637,500 ordinary shares were repurchased for an aggregate consideration of US$740,000 (equivalent to HK$5,736,000) were cancelled subsequently in February 2021.

Subsequent to the balance sheet date, the Company repurchased for an aggregate consideration of approximately, US$10,000 (equivalent to HK$77,000) and cancelled its own shares in February through the Stock Exchange as follows:

	Number of shares	Highest price per share HK$	Lowest price per share HK$	Aggregate consideration paid US$'000
5 January 2021	4,000	9.00	9.00	5
6 January 2021	4,500	9.00	9.00	5
	8,500			10

29. SHARE PREMIUM AND RESERVES

The amounts of the Group's reserves and the movements therein for the reporting period are presented in the consolidated statement of changes in equity on page 114 of the financial statements.

(a) The merger reserve represents the difference between the nominal value of the share capital issued by the Company and the share premium and the nominal value of the share capital of (i) Stella International Limited ("Stella International"), (ii) Stella International Marketing Company Limited and (iii) Stella Luna Sol Limited pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company in 2007.

(b) The capital reserve represents the contribution by certain shareholders related to equity-settled share-based payments to employees of the Group during the year ended 31 December 2017.

(c) The capital redemption reserve represents the nominal value of repurchased shares which were cancelled during the year ended 31 December 2008.

30. SHARE OPTION SCHEME

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 may grant an award either by way of option, to subscribe shares of the Company, an award of shares or a grant of a conditional right to acquire shares, to eligible participants. Pursuant to the terms of the 2007 Scheme, the Company appointed a trustee, Teeroy Limited (the "Trustee"), for the purpose of administering awards of Restricted Unit Awards under the 2007 Scheme. As at 31 December 2020, the Trustee maintained a pool of 1,778,000 (31 December 2019: 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.

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

On 17 March 2017, a total of 27,970,000 share options were granted under the 2007 Scheme.

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.

30. SHARE OPTION SCHEME *(continued)*

Long term incentive scheme *(continued)*

Details of the share options granted and outstanding under the 2007 Scheme during the year were as follows:

	Share options	Date of grant	Exercise price HK$	Vesting date	Exercise period	Outstanding as at 1.1.2019	Exercised during the year	Forfeited/ lapsed during the year	Outstanding as at 31.12.2019	Forfeited/ lapsed during the year	Outstanding as at 31.12.2020
Director											
Mr. Chi Lo-Jen	2017-A	17.3.2017	11.48	16.3.2018	16.3.2018 to 16.3.2023	–	–	–	–	–	–
	2017-B	17.3.2017	11.48	22.3.2019	22.3.2019 to 16.3.2023	683,500	–	(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-D	17.3.2017	11.48	2021 vesting date	2021 vesting date to 16.3.2023	683,500	–	–	683,500	(683,500)	–
	2017-E	17.3.2017	11.48	2022 vesting date	2022 vesting date to 16.3.2023	683,500	–	–	683,500	–	683,500
						2,734,000	–	(341,750)	2,392,250	(683,500)	1,708,750
Employees and other eligible participants:											
In aggregate	2017-A	17.3.2017	11.48	16.3.2018	16.3.2018 to 16.3.2023	–	–	–	–	–	–
	2017-B	17.3.2017	11.48	22.3.2019	22.3.2019 to 16.3.2023	4,482,000	(401,000)	(2,379,750)	1,701,250	(166,250)	1,535,000
	2017-C	17.3.2017	11.48	20.3.2020	20.3.2020 to 16.3.2023	4,482,000	–	(306,500)	4,175,500	(394,500)	3,781,000
	2017-D	17.3.2017	11.48	2021 vesting date	2021 vesting date to 16.3.2023	4,482,000	–	(306,500)	4,175,500	(4,175,500)	–
	2017-E	17.3.2017	11.48	2022 vesting date	2022 vesting date to 16.3.2023	4,482,000	–	(306,500)	4,175,500	(376,000)	3,799,500
						17,928,000	(401,000)	(3,299,250)	14,227,750	(5,112,250)	9,115,500
Total						20,662,000	(401,000)	(3,641,000)	16,620,000	(5,795,750)	10,824,250
Exercisable at the end of the year									16,620,000		10,824,250
Weighted average exercise price (HK$ per share)*						11.48	11.48	11.48	11.48	11.48	11.48

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

No share option was exercised during the year.

The weighted average share price at the date of exercise for share options exercised during the years ended 31 December 2019 and 2020 was HK$11.48 per share.

30. SHARE OPTION SCHEME *(continued)*

Long term incentive scheme *(continued)*

No share options were granted during the year ended 31 December 2020. The Group recognised a reversal of share option expense of US$487,000 (2019: expenses of US$855,000) during the year ended 31 December 2020.

At the end of the reporting period, the Company had 10,824,250 share options outstanding under the 2007 Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 10,824,250 additional ordinary shares of the Company and additional share capital of US$139,000 and share premium of US$15,792,000 (before issue expenses).

Subsequent to the year ended 31 December 2020, a total of 20,750 share options lapsed.

At the date of approval of these financial statements, the Company had 10,803,500 share options outstanding under the 2007 Scheme, which represented approximately 1.36% of the Company's shares in issue as at that date.

Share award plan

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

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

During the year ended 31 December 2020, no shares were granted under the Share Award Plan.

30. SHARE OPTION SCHEME *(continued)*

Share option scheme

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

The maximum number of Shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2007 Scheme, the 2017 Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the Shares in issue from time to time (i.e. 238,240,350 shares as at the date of this annual report) (the “Overriding Limit”).

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

The maximum number of shares issuable under share options to each eligible participant in the 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.

30. SHARE OPTION SCHEME *(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 and 26 November 2020, 2,700,000 options ("April Scheme") and a total of 17,163,000 options ("November Scheme") were granted respectively under the 2017 Scheme.

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

April Scheme

	Share options	Date of grant	Exercise price HK$	Vesting date	Exercise period	Outstanding as at 31.12.2019	Granted during the year	Outstanding as at 31.12.2020
Employees and other eligible participants:								
In aggregate	2020-A	15.4.2020	8.71	2021 vesting date	2021 vesting date to 5.7.2027	–	900,000	900,000
	2020-B	15.4.2020	8.71	2022 vesting date	2022 vesting date to 5.7.2027	–	900,000	900,000
	2020-C	15.4.2020	8.71	2023 vesting date	2023 vesting date to 5.7.2027	–	900,000	900,000
Total						–	2,700,000	2,700,000
Exercisable at the end of the year						–		2,700,000
Weighted average exercise price (HK$ per share)*						–	8.71	8.71

30. SHARE OPTION SCHEME *(continued)*

Share option scheme *(continued)*

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

November Scheme

	Share options	Date of grant	Exercise price HK$	Vesting date	Exercise period	Outstanding as at 31.12.2019	Granted during the year	Outstanding as at 31.12.2020
Director:								
Mr. Chi Lo-Jen	2020-A	26.11.2020	9.15	2021 vesting date	2021 vesting date to 25.11.2030	–	316,500	316,500
	2020-B	26.11.2020	9.15	2022 vesting date	2022 vesting date to 25.11.2030	–	316,500	316,500
	2020-C	26.11.2020	9.15	2023 vesting date	2023 vesting date to 25.11.2030	–	316,500	316,500
						–	949,500	949,500
Employees and other eligible participants:								
In aggregate	2020-A	26.11.2020	9.15	2021 vesting date	2021 vesting date to 25.11.2030	–	5,404,500	5,404,500
	2020-B	26.11.2020	9.15	2022 vesting date	2022 vesting date to 25.11.2030	–	5,404,500	5,404,500
	2020-C	26.11.2020	9.15	2023 vesting date	2023 vesting date to 25.11.2030	–	5,404,500	5,404,500
						–	16,213,500	16,213,500
Total						–	17,163,000	17,163,000
Exercisable at the end of the year						–		17,163,000
Weighted average exercise price (HK$ per share)*						–	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.

No share option was exercised during the year.

The fair value of the share options for April Scheme and November Scheme granted during the year were US$305,000 (HK$0.88 each) and US$3,946,000 (HK$1.78 each), respectively, of which the Group recognised a share option expense US$134,000 and US$230,000, respectively during the year ended 31 December 2020.

30. SHARE OPTION SCHEME *(continued)*

Share option scheme *(continued)*

The fair value of equity-settled share options granted during the year 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:

	November Scheme	April Scheme
Dividend yield (%)	4.95%	7.55%
Expected volatility (%)	32.25%	31.67%
Risk-free interest rate (%)	0.53%	0.57%
Life of options (year)	10 years	7 years
Weighted average share price (HK$ per share)	9.15	8.71

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.

At the end of the reporting period, the Company had 19,863,000 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 19,863,000 additional ordinary shares of the Company and additional share capital of US$256,000 and share premium of US$23,042,000 (before issue expenses).

Subsequent to the year ended 31 December 2020, a total of 100,500 share options lapsed.

At the date of approval of these financial statements, the Company had 19,762,500 share options outstanding under the 2017 Scheme, which represented approximately 2.5% of the Company's shares in issue as at that date

31. BUSINESS COMBINATION

(a) Acquisition of a subsidiary

On 9 September 2020, the Group acquired 83.5% interest in Stella Leather Goods (Ho Chi Minh) Co., Limited ("SLGH") from an independent third party. SLGH is principally engaged in the handbag manufacturing business in Vietnam. The acquisition was made as part of the Group's strategy to capitalise on the synergies emerging from customer base. The purchase consideration for the acquisition was in the form of cash, with US$2,000,000 paid in full at the SLGH acquisition date.

31. BUSINESS COMBINATION *(continued)*

(a) Acquisition of a subsidiary *(continued)*

The fair values of the identifiable assets and liabilities of SLGH as at the date of acquisition were as follows:

	Fair value recognised on acquisition US$'000
Property, plant and equipment	1,155
Inventories	934
Other receivables	1,055
Deposit	134
Cash and bank balances	256
Trade payables	(285)
Other payables	(852)
Tax payable	(2)
Total identifiable net assets at fair value	2,395
Non-controlling interests	(395)
	2,000
Satisfied by cash	2,000

The fair values and gross contractual amounts of the other receivables as at the date of acquisition amounted to US$1,055,000, of which none are expected to be uncollectible.

The Group incurred transaction costs of US$9,000 for this acquisition. These transaction costs have been expensed and are included in other expenses in profit or loss.

31. BUSINESS COMBINATION *(continued)*

(a) Acquisition of a subsidiary *(continued)*

An analysis of the cash flows in respect the acquisition of a subsidiary is as follows:

	US$'000
Cash consideration	(2,000)
Cash and bank balances	256
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,744)

Since the acquisition, SLGH contributed US$616,000 to the Group's revenue and US$86,000 to the consolidated profit for the year ended 31 December 2020.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been increased by US$7,915,000 and US$1,396,000, respectively.

(b) Acquisition of interest in subsidiary without change in control

During the year ended 31 December 2019, the Group acquired the remaining 40% equity interests in Stella Fashion SAS and its subsidiary, and remaining 40% equity interests in Stella Europe Trading at cash considerations of EUR400,000 (equivalent to US$453,000) and EUR1 (equivalent to US$1), respectively. The effect of the acquisition on the equity attributable to the owners of the Company is as follows:

	US$'000
Carrying amount of non-controlling interests acquired	(6,133)
Consideration paid for non-controlling interests	(453)
Loss on acquisition recognised directly in equity	(6,586)

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group has not yet received sales proceeds of leasehold land of US$1,730,000, which has been recorded as an other receivables as at 31 December 2020.

During the year, property, plant and equipment of US$1,041,000 were transferred from deposits paid for property, plant and equipment.

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of US$17,684,000 (2019: US$1,616,000) and US$17,684,000 (2019: US$1,616,000), respectively, in respect of lease arrangements for plant and equipment.

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Changes in liabilities arising from financing activities:

2020

	Lease liabilities US$'000	Bank loans US$'000
At 1 January 2020	6,572	2,995
Changes from financing cash flows:		
Principal portion of lease payments	(4,479)	–
New bank loans	–	338,381
Repayment of bank loans	–	(338,638)
Interest paid included in financing activities	–	(291)
New leases	17,684	–
Disposal	(117)	–
Foreign exchange movement	–	155
Interest expense	258	291
Interest expense classified as operating cashflows	(258)	–
At 31 December 2020	19,660	2,893

2019

	Lease liabilities US$'000	Bank loans US$'000
At 1 January 2019	6,785	65,399
Changes from financing cash flows:		
Principal portion of lease payments	(1,829)	–
New bank loans	–	562,751
Repayment of bank loans	–	(625,215)
Interest paid included in financing activities	–	(1,610)
New leases	1,616	–
Foreign exchange movement	–	60
Interest expense	272	1,610
Interest expense classified as operating cashflows	(272)	–
At 31 December 2019	6,572	2,995

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 US$'000	2019 US$'000
Within operating activities	988	847
Within financing activities	4,479	1,829
	5,467	2,676

33. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank borrowings are included in note 27 to the financial statements.

34. COMMITMENTS

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

	2020 US$'000	2019 US$'000
Contracted, but not provided for:		
Plant and equipment	5,935	2,270
Acquisition of a subsidiary	1,400	–
	7,335	2,270

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2020 US$'000	2019 US$'000
Associates:			
Sales of products	*(i)*	12,160	20,169
Purchases of products	*(ii)*	5,382	47,176
Joint venture:			
Purchases of products	*(ii)*	69,005	85,992
Max Branding Group:			
Sales of footwear products	*(iii)*	1,068	1,477

Notes:

(i) The sales to the associates 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 the CAH group also constitute continuing connected transactions, as defined in Chapter 14A of the Listing Rules amounting to US$12,160,000 (2019: US$20,169,000).

(ii) The purchases from the associates and the joint venture were made according to the published prices and conditions offered by the associates and the joint venture to their major customers.

(iii) The sales constitute continuing connected transaction, as defined in Chapter 14A of the Listing Rules.

35. RELATED PARTY TRANSACTIONS *(continued)*

(b) Other transactions with related parties

The Group has guaranteed banking facilities granted to an associate amounting to US$15,000,000 (2019: US$15,000,000) as at the end of the reporting period, of which US$5,000,000 (2019: US$10,000,000) was utilised by the associate, as disclosed in note 26(b) to the financial statements.

(c) 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 21 and 25 to the financial statements.

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

	2020 US$'000	2019 US$'000
Short term employee benefits	2,299	3,292
Post-employment benefits	2	2
Equity-settled share option expense	13	104
Total compensation paid to key management personnel	2,314	3,398

Further details of directors' and the chief executive's emoluments are included in note 10 to the financial statements.

36. 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:

2020

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	–	265,309	265,309
Financial assets included in prepayments, deposits and other receivables	–	62,024	62,024
Financial assets at fair value through profit or loss	88	–	88
Cash and cash equivalents	–	108,667	108,667
	88	436,000	436,088

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

2020

Financial liabilities

	Financial liabilities at amortised cost US$'000
Trade payables	77,280
Financial liabilities included in other payables and accruals	28,143
Lease liabilities	19,660
Interest-bearing bank borrowings	2,893
	127,976

2019

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	–	306,329	306,329
Financial assets included in prepayments, deposits and other receivables	–	108,057	108,057
Financial assets at fair value through profit or loss	189	–	189
Cash and cash equivalents	–	68,061	68,061
	189	482,447	482,636

36. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

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

2019

Financial liabilities

	Financial liabilities at amortised cost US$'000
Trade payables	59,675
Financial liabilities included in other payables and accruals	2,121
Lease liabilities	6,572
Interest-bearing bank borrowings	2,995
	71,363

37. 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	
	2020 US$'000	2019 US$'000	2020 US$'000	2019 US$'000
Financial assets				
Financial assets at fair value through profit or loss	88	189	88	189
Financial liabilities				
Interest-bearing bank borrowings (note 27)	2,893	2,995	2,869	2,895

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables and financial liabilities included in other payables and accruals and financial guarantee contract given to banks in connection with facilities granted to an associate approximate to their carrying amounts largely due to the short term maturities of these instruments.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

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 chief financial officer. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

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

The fair values of the non-current portion of 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 31 December 2020 were assessed to be insignificant.

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

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			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
As at 31 December 2020				
Financial assets at fair value through profit or loss	88	–	–	88
As at 31 December 2019				
Financial assets at fair value through profit or loss	189	–	–	189

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Liabilities for which fair values are disclosed:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) US$'000	Significant observable inputs (Level 2) US$'000	Significant unobservable inputs (Level 3) US$'000	Total US$'000
As at 31 December 2020				
Interest-bearing bank borrowings	–	2,869	–	2,869
As at 31 December 2019				
Interest-bearing bank borrowings	–	2,895	–	2,895

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instrument comprises cash and cash equivalents and interest bearing bank borrowings. The main purpose of this financial instrument is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade payables and other payables which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with a floating interest rate.

The interest rates and terms of repayment of interest-bearing bank borrowings are disclosed in note 27 to the financial statements. Other financial assets and liabilities of the Group do not have material interest rate risk. Interest-bearing bank borrowings, cash and bank balances, and short-term deposits are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expenses are credited or charged to profit or loss as incurred.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk *(continued)*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings and cash and cash equivalents).

	Increase/(decrease) in basis points	Increase/(decrease) in profit before tax 2020 US$'000	Increase/(decrease) in profit before tax 2019 US$'000
RMB	25	101	48
HKD	25	19	3
EUR	25	4	10
IDR	25	1	1
VND	25	9	3
NTD	25	(24)	(6)
RMB	(5)	(20)	(10)
HKD	(5)	(4)	(1)
EUR	(5)	(1)	(2)
IDR	(5)	–	–
VND	(5)	(2)	(1)
NTD	(5)	1	1

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 95% (2019: 96%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, while approximately 89% (2019: 73%) of costs were denominated in the units' functional currencies.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Foreign currency risk *(continued)*

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currency exchange rate, with all other variables held constant, of the Group's profit before tax.

	Change in foreign currency rate %	Increase/ (decrease) in profit before tax US$'000
2020		
If US$ weakens against RMB	5	3,218
If US$ strengthens against RMB	(5)	(3,218)
If US$ weakens against EUR	5	68
If US$ strengthens against EUR	(5)	(68)
If US$ weakens against MOP	5	130
If US$ strengthens against MOP	(5)	(130)
If US$ weakens against IDR	5	24
If US$ strengthens against IDR	(5)	(24)
If US$ weakens against VND	5	326
If US$ strengthens against VND	(5)	(326)
2019		
If US$ weakens against RMB	5	2,388
If US$ strengthens against RMB	(5)	(2,388)
If US$ weakens against EUR	5	315
If US$ strengthens against EUR	(5)	(315)
If US$ weakens against MOP	5	200
If US$ strengthens against MOP	(5)	(200)
If US$ weakens against IDR	5	18
If US$ strengthens against IDR	(5)	(18)
If US$ weakens against VND	5	68
If US$ strengthens against VND	(5)	(68)

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Finance Department.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. For listed debt investments, the Group also monitors them by using external credit ratings. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Trade receivables*	–	–	–	275,437	275,437
Financial assets included in prepayments, deposits and other receivables	62,957	–	3,832	–	66,789
Cash and cash equivalents					
– Not yet past due	108,667	–	–	–	108,667
Guarantees given to a bank in connection with facilities granted to an associate					
– Facilities not yet drawn by an associate	5,000	–	–	–	5,000
– Facilities drawn by an associate					
– Not yet past due	5,000	–	–	–	5,000
	181,624	–	3,832	275,437	460,893

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Maximum exposure and year-end staging *(continued)*

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Trade receivables*	–	–	–	313,071	313,071
Financial assets included in prepayments, deposits and other receivables	99,766	8,542	5,516	–	113,824
Cash and cash equivalents					
– Not yet past due	68,061	–	–	–	68,061
Guarantees given to a bank in connection with facilities granted to an associate					
– Facilities not yet drawn by an associate	5,000	–	–	–	5,000
– Facilities drawn by an associate					
– Not yet past due	10,000	–	–	–	10,000
	182,827	8,542	5,516	313,071	509,956

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2020			
	On demand or no later than 1 year US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Trade payables	77,280	–	–	77,280
Other payables	28,143	–	–	28,143
Interest-bearing bank borrowings	2,906	–	–	2,906
Lease liabilities	4,604	13,521	1,967	20,092
Guarantees given to banks in connection with facilities granted to an associate	5,000	–	–	5,000
	117,933	13,521	1,967	133,421

	2019			
	On demand or no later than 1 year US$'000	1 to 5 years US$'000	Over 5 years US$'000	Total US$'000
Trade payables	59,675	–	–	59,675
Other payables	2,121	–	–	2,121
Interest-bearing bank borrowings	277	2,765	–	3,042
Lease liabilities	1,888	5,611	617	8,116
Guarantees given to banks in connection with facilities granted to an associate	10,000	–	–	10,000
	73,961	8,376	617	82,954

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors capital using a gearing ratio, which is net debt divided by equity. Net debt is calculated as interest-bearing bank borrowings (note 27) less cash and cash equivalents (note 24). Capital represents equity attributable to owners of the parent. As at 31 December 2020 and 2019, the Group has a net cash position. The gearing ratios as at the end of the reporting periods were as follows:

	2020 US$'000	2019 US$'000
Net debt	(105,774)	(65,066)
Equity	924,587	959,669
Gearing ratio	N/A	N/A

39. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 US$'000	2019 US$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	680,540	680,540
Total non-current assets	680,540	680,540
CURRENT ASSETS		
Due from subsidiaries	510,631	462,540
Deposits and other receivables	2	15
Cash and cash equivalents	1,864	229
Total current assets	512,497	462,784
CURRENT LIABILITIES		
Other payables	634	759
Due to subsidiaries	272,653	222,513
Total current liabilities	273,287	223,272
NET CURRENT ASSETS	239,210	239,512
Net assets	919,750	920,052
EQUITY		
Share capital	10,165	10,165
Reserves (Note)	909,585	909,887
Total equity	919,750	920,052

Chen Li-Ming, Lawrence
Director

Chi Lo-Jen
Director

39. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium US$'000	Share repurchase reserve US$'000	Capital reserve US$'000	Shares held for share award scheme US$'000	Capital redemption reserve US$'000	Share option reserve US$'000	Contribution surplus US$'000	Retained profits US$'000	Total US$'000
As at 1 January 2019	154,503	–	1,146	(2,722)	190	1,151	530,465	214,335	899,068
Total comprehensive income for the year	–	–	–	–	–	–	–	95,477	95,477
Issue of shares	653	–	–	–	–	(70)	–	–	583
Equity-settled share option arrangements	–	–	–	–	–	855	–	–	855
Final 2018 dividend	–	–	–	–	–	–	–	(45,579)	(45,579)
Interim 2019 dividend	–	–	–	–	–	–	–	(40,517)	(40,517)
As at 31 December 2019 and 1 January 2020	155,156	–	1,146	(2,722)	190	1,936	530,465	223,716	909,887
Total comprehensive income for the year	–	–	–	–	–	–	–	46,698	46,698
Issue of shares	–	–	–	–	–	–	–	–	–
Equity-settled share option arrangements	–	–	–	–	–	(123)	–	–	(123)
Share repurchased and yet to be cancelled	–	(740)	–	–	–	–	–	–	(740)
Final 2019 dividend	–	–	–	–	–	–	–	(46,137)	(46,137)
As at 31 December 2020	155,156	(740)	1,146	(2,722)	190	1,813	530,465	224,277	909,585

40. COMPARATIVE AMOUNTS

Certain comparative amounts have been re-presented to confirm to the current year's presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 18 March 2021.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2016 US$'000	2017 US$'000	2018 US$'000	2019 US$'000	2020 US$'000
RESULTS					
Revenue	1,550,864	1,577,270	1,588,583	1,544,830	1,135,880
Profit for the year	81,214	59,690	62,226	95,918	1,064
Attributable to:					
Equity owners of the Company	81,577	61,955	65,455	95,925	1,685
Non-controlling interests	(363)	(2,265)	(3,229)	(7)	(621)
	81,214	59,690	62,226	95,918	1,064

	As at 31 December				
	2016 US$'000	2017 US$'000	2018 US$'000	2019 US$'000	2020 US$'000
ASSETS AND LIABILITIES					
Total assets	1,172,516	1,228,420	1,166,480	1,133,369	1,149,555
Total liabilities	(194,659)	(260,458)	(219,689)	(174,203)	(225,716)
Shareholders' funds	977,857	967,962	946,791	959,166	923,839

CORPORATE INFORMATION AND FINANCIAL CALENDAR 2020/2021

BOARD OF DIRECTORS

Executive Directors
CHEN Li-Ming, Lawrence, *Chairman*
CHI Lo-Jen, *Chief Executive Officer*

Non-executive Directors
CHIANG Jeh-Chung, Jack
CHAO Ming-Cheng, Eric

Independent Non-Executive Directors
CHEN Johnny
BOLLIGER Peter
CHAN Fu Keung, William, *BBS*
YUE Chao-Tang, Thomas
LIAN Jie
SHI Nan Sun

AUDIT COMMITTEE

YUE Chao-Tang, Thomas, *Chairman*
CHEN Johnny
CHAN Fu Keung, William, *BBS*
LIAN Jie

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

NOMINATION COMMITTEE

CHEN Johnny, *Chairman*
BOLLIGER Peter
CHAN Fu Keung, William, *BBS*
YUE Chao-Tang, Thomas
LIAN Jie
SHI Nan Sun

REMUNERATION COMMITTEE

CHAN Fu Keung, William, *BBS, Chairman*
CHEN Johnny
YUE Chao-Tang, Thomas

AUTHORISED REPRESENTATIVES

CHI Lo-Jen
KAN Siu Yim, Katie

CHIEF FINANCIAL OFFICER

TAM Siu Ming, Andrew

COMPANY SECRETARY

KAN Siu Yim, Katie

LEGAL ADVISER

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

AUDITORS

Ernst & Young
Certified Public Accountant
Registered Public Interest Entity Auditor
22/F, CITIC Tower,
1 Tim Mei Avenue,
Central, 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

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REGISTERED OFFICE

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STOCK CODE

1836

WEBSITE

www.stella.com.hk

FINANCIAL CALENDAR 2020/2021

2020 Annual Results Announcement	18 March 2021
Closure of Register of Members	10 May 2021 to 13 May 2021
Annual General Meeting	13 May 2021
2021 Interim Results Announcement	On or about 19 August 2021

In the event of inconsistency, the English version shall prevail over the Chinese version.

This Annual Report is printed on environmentally friendly paper
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Stella International Holdings Limited
九興控股有限公司*

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

* for identification purpose only