



# STELLA

INTERNATIONAL

## ANNUAL REPORT 2025

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.

## 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.

A hand in a white sleeve holds a white ruler against a piece of light-colored fabric with a repeating pattern of stylized trees and geometric shapes. The background is a textured, reddish-brown surface.

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# CORPORATE PROFILE

# 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 July 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, *Nike, HOKA, Under Armour, Saucony, Merrell, Timberland, UGG* and *Vionic*, as well as leading brands in fashion footwear, such as *Coach, Cole Haan, Kate Spade, Michael Kors* and *Tory Burch*.

We also design, develop and manufacture footwear for a number of high-fashion icons, such as *Amiri, Alexander Wang, Balenciaga, Balmain, Chloé, Jimmy Choo, Lanvin, Moncler, Off-White* and *Prada*.

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 brand, *Stella Luna*.

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 handbags and 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 Dongguan, China



## 1995

Established Seville Footwear Factory in Dongguan, China for leading brands including Clarks, Timberland and Wolverine



## 2004

Stella expanded its presence to the Luxury segment

## 2006

First factory dedicated to Nike in Hunan, China commenced production



## 2007

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



## 2012

Expanded our casual footwear production in Indonesia



## 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, development and innovation capabilities



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



## 1998

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



## 1999

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



## 2013

Began manufacturing in Bangladesh at Bay Footwear Ltd



## 2014

Established footholds in the Philippines to expand our footwear production in South East Asia

First handbag factory was set up in the Philippines to provide service for premium customers Coach & Kate Spade



## 2018

Factory dedicated to sports footwear in Vietnam commenced production for Nike



## 2021

New footwear factory in Solo, Indonesia, commenced operation



## 2023

Launched the Group's first Three-Year Strategic Plan (2023-2025)

## 2024

Became a constituent of the Hang Seng Composite Index (HSCI), and qualified for the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programs

## 2025

Completed the acquisition of Meraki factory in Vietnam to expand its Handbag and Leather Goods business





# FINANCIAL HIGHLIGHTS

## REVENUE AND PROFIT TREND

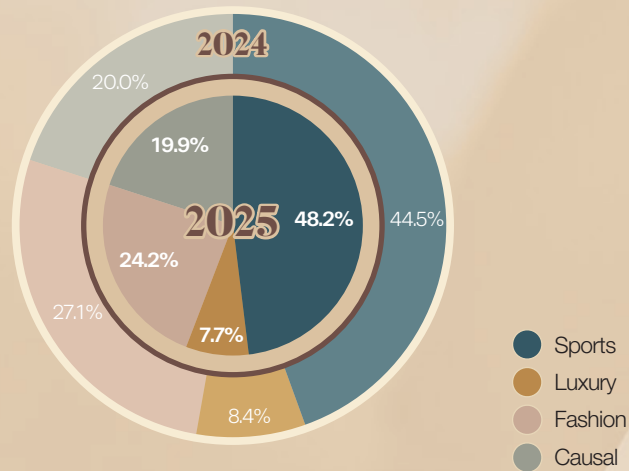
### REVENUE

	US\$'000	Change
<b>2025</b>	<b>1,570,237</b>	<b>1.6%</b>
2024	1,545,114	3.5%
2023	1,492,651	-8.5%
2022	1,630,771	5.9%
2021	1,540,608	35.6%
2020	1,135,880	-26.5%
2019	1,544,830	-2.8%

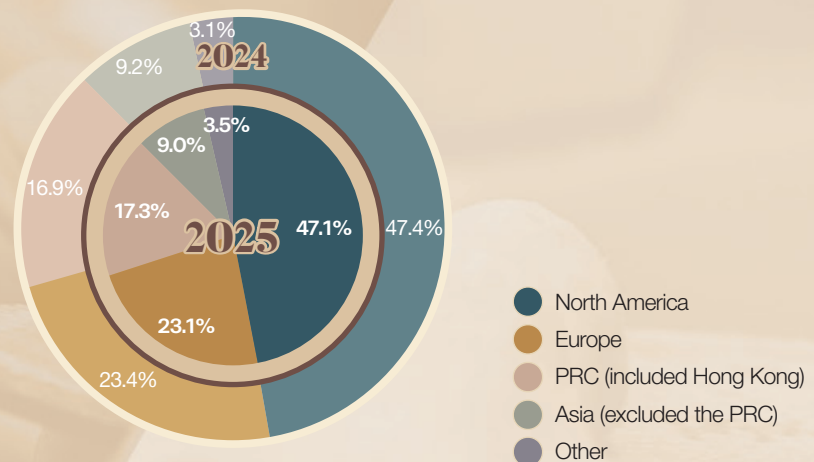
### NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

	US\$'000	Change
<b>2025</b>	<b>137,987</b>	<b>-19.3%</b>
2024	171,049	21.2%
2023	141,072	19.5%
2022	118,033	31.6%
2021	89,694	5223.1%
2020	1,685	-98.2%
2019	95,925	46.6%

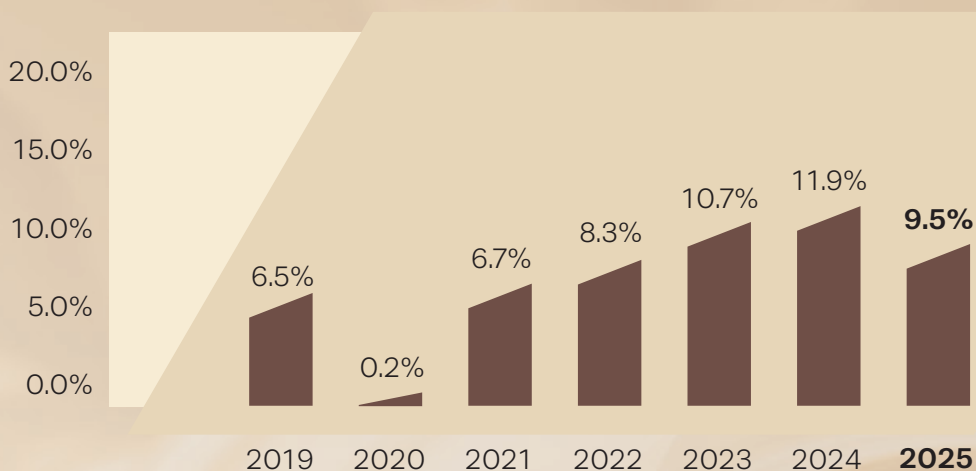
## MANUFACTURING REVENUE BY PRODUCT CATEGORIES FOR 2025 & 2024



## GROUP REVENUE BY GEOGRAPHICAL SEGMENTS FOR 2025 & 2024



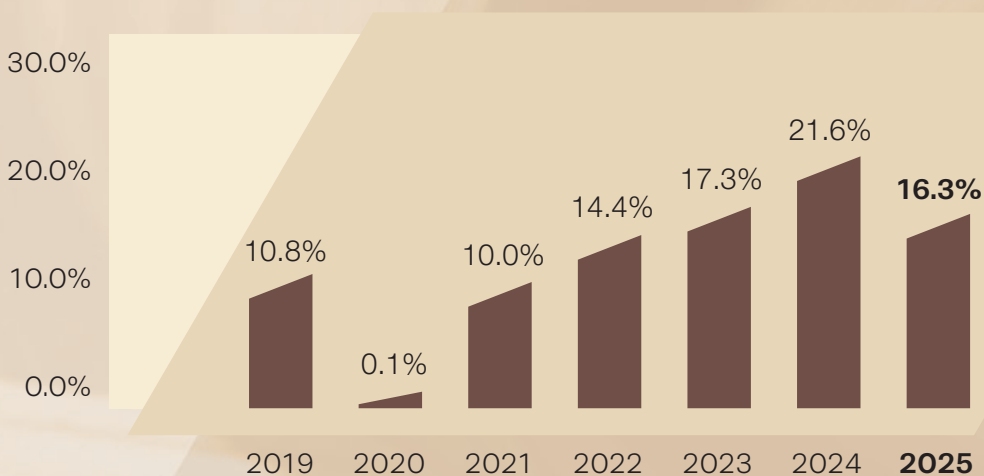
## OPERATING PROFIT MARGIN 2019-2025



\* 2019 Operating Profit used Profit before Tax in Annual Report

\*\* Since 2020, Operating Profit used Operating Profit before changes in fair value of financial instruments in Annual Report

## RETURN ON INVESTED CAPITAL 2019-2025



\* NOPAT represents Operating Profit x (1-effective tax rate)

\*\* Working capital (current assets minus liabilities excluding cash) and fixed assets are based on our year-end balance sheet figures





# CHAIRMAN'S STATEMENT



# MISSION: MAKING THE BEST SHOES

Dear shareholders,

In 2025, we navigated a year marked by stronger macroeconomic headwinds and constant shifts in the global tariff landscape. These pressures weighed more on our profitability compared with recent years and were further compounded by short-term profitability challenges related to the ramp-up of our manufacturing capacity in Indonesia and the Philippines.

Yet demand for our products and our diversified manufacturing capacity remained strong, with shipment volumes growing by 3.8%. This demonstrated both our resilience and the strength of our relationships with customers—new and existing—and

reflected the disciplined execution of our now-concluded first Three-Year Plan (2023-2025), under which we delivered on nearly all of our strategic objectives.

The first of these goals was to enhance our category mix in line with our unique strengths and capabilities. Over the past three years, we have added several well-known Sports, high-end Fashion and Luxury brands to our customer portfolio. Many were initially drawn to our design and commercialisation expertise, and demand then grew as our products achieved strong sell-through both online and in stores.

The second was to expand and diversify our manufacturing footprint. While this area presented more challenges, such as land-acquisition delays to teething issues associated with the ramp-ups, we nevertheless established a strong production base into lower-cost regions, strengthening our long-term cost position and offering our customers further production diversification.

Our third and fourth goals were to optimise management effectiveness and efficiency, and to strengthen cost discipline and the use of working capital. After reaching 21.6% in 2024, our Return on Invested Capital (ROIC) remained a solid 16.3% in 2025, compared with 10% in 2019. This reflects improvements in our customer mix and risk-reward management, the revamp of our raw-material planning processes, support for upstream suppliers as they transitioned to new production regions, and the embedding of a ROIC-focused approach in our capital expenditure planning.

In addition to these achievements, we broadly met the two profitability targets set out under our first Three-Year Plan (2023-2025): achieving a 10% operating margin and delivering low-teens annualised growth in profit after tax. We exceeded these targets in 2023 and 2024, but faced short-term macroeconomic and operational pressures in 2025. Taken together, this still represents a solid outcome for the 2023-2025 period.

We aim to build on this success through our new Three-Year Plan (2026-2028). On the demand side, we will continue to grow with our new Luxury and high-end Fashion customers, supporting their expansion into new product categories and

helping them drive greater innovation across their collections. We will also further diversify our sources of revenue by ramping up production for our new Sports customers, strengthening their leadership in product innovation by establishing and developing our R&D base in Vietnam.

On the supply side, we are focused on commissioning and ramping up our three new factories in Indonesia, Bangladesh and Vietnam, which together with our factory in Solo, Indonesia, will add approximately 20 million pairs of additional production capacity over the coming years, while completing our current investment cycle. We have applied the important lessons learned from overcoming the ramp-up challenges in Indonesia in 2025, enabling us to proceed more smoothly in this area in the years ahead.

We are also committed to establishing our handbag and accessories manufacturing business as a core growth driver under our new Three-Year Plan (2026-2028), following the acquisition of a high-end handbag factory in Vietnam in the second half of 2025. The new facility will elevate our craftsmanship, product quality and R&D capabilities in this category, which will enable us to further develop and scale up this business.

Finally, we remain steadfast in delivering value to our shareholders. I am pleased to announce that the Board has recommended the payment of a final dividend of HK37 cents per ordinary share. Together with our previously announced interim dividend of HK52 cents per ordinary share, this is in line with our normal payout ratio of approximately 70% of adjusted net profit.

We are also delighted to announce the recommendation of a special dividend of HK56 cents per ordinary share, fulfilling our commitment to return US\$60 million annually to shareholders during the three years from 2024 to 2026 under our excess cash return program, as outlined in our interim results announcement for the six months ended 30 June 2024 ("Excess Cash Return Programme"). Under this program, we plan to distribute a further US\$60 million to shareholders for the 2026 financial year through a combination of share repurchases and special dividends, in addition to our normal dividend payout ratio of approximately 70%.

Finally, we continue to be recognised for our progress in strengthening sustainability and transparency practices. In August 2025, our MSCI ESG rating was upgraded from 'A' to 'AA'—our second consecutive annual improvement.

As we look to the future, I would also like to express my sincere appreciation to our customers, business partners and employees, whose support has been instrumental to our progress over the past three years and remains the foundation on which we will continue to build in the years ahead.

**Chen Li-Ming, Lawrence**  
*Chairman*  
Hong Kong, 19 March 2026



A hand holding a pen is visible in the upper left corner, positioned over a document with some faint lines and a red scribble. A large, semi-transparent diagonal overlay in shades of beige and brown covers the right and bottom portions of the image. The text is centered over this overlay.

# 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 2025.

## BUSINESS STRATEGIES

Stella is widely known within the footwear industry for its unparalleled product design and commercialisation capabilities, ‘artisan level’ craftsmanship, uncompromising commitment to quality, speed-to-market, and small batch production flexibility, supported by a broad, diverse, and proven manufacturing base located in Vietnam, the People’s Republic of China (the “PRC”), Indonesia, the Philippines and Bangladesh. Over the years, we have provided customers with an all-rounded skillset, integrated

and accumulated from developing a broad product base spanning Luxury, high-end Fashion, athleisure and outdoor Sports footwear.

We have adopted a customer-centric business model, delivering premium product development services and tailored manufacturing solutions for each unique design. With a diversified production base, we offer both exceptional quality and added value.

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

## THREE-YEAR PLAN (2026-2028)

We recently concluded our first Three-Year Plan (2023-2025) for long-term growth and margin expansion, under which we set two profitability targets: achieving a 10% operating margin and delivering low-teens annualized growth in profit after tax. We exceeded these targets in 2023 and 2024 as we strengthened our category mix, broadened and deepened our customer base, and optimised our manufacturing footprint. In 2025, we continued making advances in each of these areas, even as we navigated short-term operational pressures and were faced with unexpected changes in global trade tariffs.

With our next Three-Year Plan (2026-2028), we will build on the strong foundation and momentum we have created. Our key initiatives and profitability targets are outlined below.

**Fully leverage our unique strengths and premium product development capabilities to build market leadership, meet evolving customer expectations and capture higher-value opportunities:**

- Strengthen our collaboration with Luxury and high-end Fashion customers, supporting their expansion into new product categories and drive greater innovation across their collections.
- Further deepen our relationships with major global sports brands and fast-growing Sports and Fashion footwear brands, leveraging our R&D capabilities to develop premium, differentiated and complex products to support their growth, innovation and leadership in athleisure.

**Expand and diversify our manufacturing base to support our future growth and proximity to major markets:**

- Commission and ramp-up three new factories in Indonesia, Vietnam and Bangladesh, while also adding approximately 20 million pairs to our total production capacity over the coming years to meet current and future demand.
- Establish a R&D and product development centre in Vietnam to accelerate growth across this core manufacturing hub and support diversification of our production base.

**Transformation of our handbag and accessories manufacturing business:**

- Transform our handbag and accessories manufacturing business into a core growth driver through acquisitions and portfolio diversification, creating new revenue stream and strengthening its competitive differentiation.

**Strengthen cost efficiency and operational excellence:**

- Optimise management, decision-making and cost controls to enhance execution and protect margins.
- Further diversify and expand revenue contribution from outside North America to reduce overall risk.

## TARGET FOR THREE-YEAR PLAN (2026-2028)

Profit After Tax CAGR<sup>1</sup>:  
High-single-digit %

The first year of the Three-Year Plan (2026-2028) will be an investment year and we expect the majority of the Profit After Tax growth to materialise in the latter part of the 2026-2028 period.

<sup>1</sup> CAGR: Compound Annual Growth Rate



## BUSINESS REVIEW

In the year ended 31 December 2025, demand for our products and diversified manufacturing capacity remained strong, even against a more challenging operating environment. Our non-customer-exclusive manufacturing facilities operated at close to full utilisation as we continued to ramp-up new customers in the Sports and high-end Fashion segments, supporting 3.8% growth in shipment volumes.

However, our performance was weighed down by shortfalls in production efficiency associated with the ramp-up of our new production facility in Indonesia and the Philippines, as well as by tariff support provided to selected U.S. customers as they worked to pass through price adjustments.

The key financial performance indicators of the Company include revenue, gross profit and operating profit. An analysis of these indicators during the year ended 31 December 2025 is as follows:

### Revenue

In 2025, our consolidated revenue increased by 1.6% to US\$1,570.2 million (2024: US\$1,545.1 million). Shipment volumes rose by 3.8% to 55.0 million pairs (2024: 53.0 million pairs), mainly driven by our Sports segment and solid demand from our new customers for whom we are ramping up production. The average selling price (“ASP”) of our footwear products decreased by 2.5% to US\$27.7 per pair (2024: US\$28.4 per pair) due to the growth of the Sports segment which has a lower ASP.

In terms of product category, sales in our Sports category increased by 9.5%, accounting for 48.2% of total manufacturing revenue (2024: 44.5%). This was driven by higher shipments to our largest Sports customer and other existing Sports customers, as well as the ramp-up with a new Sports customer launching fresh collections and styles. Revenue attributed to our Fashion and Luxury categories—whose products have a similar level of ASP—together recorded a net decrease of 9.0% (decrease of 9.8% and 6.3% respectively) and accounted for 24.2% and 7.7% of total manufacturing revenue respectively (2024: 27.1% and 8.4%), due to softer demand from select U.S. customers, the delay of some shipments from the fourth quarter of 2025 to early 2026, and our optimisation of capacity allocation from Luxury and Fashion to new Sports customers. Revenue attributed to our Casual category increased by 0.8%, accounting for 19.9% (2024: 20.0%) of total manufacturing revenue.

Geographically, North America and Europe are our two largest markets, accounting for 47.1% and 23.1% of the total revenue of the Group during the year under review. Following these, the PRC (including Hong Kong), Asia (other than the PRC) and other geographic regions contributed 17.3%, 9.0% and 3.5% of the Group’s total revenue respectively.

Revenue attributed to our branding business, (namely the wholesale business for our own retail footwear brand Stella Luna in the PRC), which was further scaled down during the year under review, decreased by 72.2% to US\$0.7 million.

### Gross profit

Our gross profit for the year decreased by 10.9% to US\$342.3 million (2024: US\$384.0 million). Our gross profit margin was 21.8% (2024: 24.9%). The reduction in gross profit and gross profit margin was attributed to:

- (a) gross profit margin pressure caused by:
  - i. lower efficiency levels among new workers in our Philippines and Indonesia production lines;
  - ii. the subsequent slower-than-anticipated ramp-up of the new footwear factory in Indonesia, which led the Group to redirect some production to its footwear factories in Vietnam, resulting in higher production costs, overtime expenses and airfreight costs; and
- (b) scaling down new production lines in the Philippines in the second half of 2025, which resulted in lower production and elevated headcount.

### Operating profit

The reported operating profit<sup>2</sup> of the Group for the year under review decreased by 19.1% to US\$149.2 million (2024: US\$184.5 million). The operating profit margin (before changes in fair value of financial instruments) of the Group for the year under review was 9.5% (2024: 11.9%). The reduction in operating profit and operating profit margin was attributed to:

- (a) the decrease in gross profit during the year under review; and
- (b) higher research and development-related costs associated with ramping-up production for the Group's new customers and expansion in Vietnam.

### Net results

The Group recorded a net profit of US\$137.0 million during the year under review (2024: US\$170.1 million), with no change in the marked-to-market net fair value on financial instruments related to its investment in Lanvin Group Holdings Limited ("Lanvin Group") listed on the New York Stock Exchange (2024: marked-to-market net fair value loss of US\$1.1 million).

Therefore, the Group recorded an adjusted net profit<sup>3</sup> of US\$137.0 million (2024: US\$171.2 million) and an adjusted net profit<sup>3</sup> margin of 8.7% (2024: 11.1%).

The reduction in net profit and net profit margin was attributed to:

- (a) the decrease in gross profit and operating profit during the year under review; and
- (b) lower interest income due to:
  - i. lower interest rates; and
  - ii. a reduction in our net cash position due to higher capital expenditures and the return of additional cash of US\$60 million in May 2025 (by way of payment of special dividend for the year ended 31 December 2024) under our excess cash return program to benefit our shareholders.

### Return on invested capital

In 2025, we delivered a solid Return on Invested Capital (ROIC)<sup>4</sup> of 16.3%, significantly above the approximately 10% ROIC recorded in 2019 before we started executing our long-term strategies. This outcome was driven by strong working capital optimisation and efficiency, and a disciplined approach to capital expenditure and investments focused on maximising returns.

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

<sup>3</sup> Adjusted net profit represents the profit for the year excluding any change in the net fair value of the Group's investment in Lanvin Group.

<sup>4</sup> Return on Investment Capital in 2025 = Net Operating Profit After Tax of US\$125.0 million divided by Invested Capital (i.e. Working Capital + Fixed Assets) of US\$767.7 million. Net Operating Profit After Tax refers to Operating Profit x (1 - effective tax rate) while working capital (current assets minus current liabilities excluding cash) plus fixed assets are based on our year-end balance sheet figures

<sup>5</sup> Net gearing ratio = net debt/shareholder equity

# MANAGEMENT DISCUSSION AND ANALYSIS

## Solid net cash position

We maintained our strong focus on managing our working capital usage and cash flow, with our capital expenditure projects progressing slower than expected in 2025. As of 31 December 2025, our net cash position was US\$367.4 million, compared to a net cash position of US\$417.6 million as at 31 December 2024, following the final dividend payment for the 2024 financial year, interim dividend payment for the six-month period ended 30 June 2025, and additional cash of US\$60 million returned in May 2025 (by way of payment of special dividend) under our excess cash return program. Therefore, the Group's net gearing ratio<sup>5</sup> was -33.1% as at 31 December 2025, compared to -37.4% as at 31 December 2024.

## RECOGNITIONS AND AWARDS

Our sustainability efforts continue to be recognised by distinguished external parties. During 2025, our MSCI ESG rating was upgraded from 'A' to 'AA' by MSCI ESG Research—our second consecutive annual upgrade. The latest upgrade recognised the progress we have made in key areas, particularly raw material sourcing and product carbon footprint management.

We also strengthened our climate change commitment by setting Near-term Science Based Targets (SBT) covering all three scopes of our greenhouse gas (GHG) emissions.

## OUTLOOK

We expect the shifting global tariff landscape to remain a headwind in 2026 and we will continue to monitor the situation and our customers' responses. At the same time, 2026 will be a key investment year for our Group, with our diversified manufacturing base remaining a core differentiator, supporting both customer retention and new-customer acquisition.

As we embark on our second Three-Year Plan (2026-2028) to accelerate long-term growth and margin expansion, our foremost priority in 2026 is the commissioning and orderly ramp-up of three new manufacturing facilities: our second factory in Bangladesh, a dedicated facility for our largest Sports customer in Indonesia, and a small-scale factory for a new Sports customer in Vietnam. We also plan to complete a new R&D and product development hub in Vietnam. We are confident in our ability to minimise ramp-up risks by applying the lessons learned from successfully addressing the challenges at our Solo, Indonesia factory in 2025, including strengthening production-quality training, enforcing greater discipline in production planning and material utilisation, and enhancing upstream quality control.

Over the coming years, these three new facilities, together with our factory in Solo, Indonesia are expected to add an additional 20 million pairs of production capacity. However, the contribution of our three new factories in 2026 will be modest, reflecting the lead time required for full commissioning and customer certification, which is expected to be completed in the second half of 2026. We also remain committed to ramping up our capacity utilization in Solo, Indonesia over the longer term. To address the distinct challenges encountered there, we are applying the same lessons while investing in stronger management and operational training and placing greater emphasis on automation.

Despite these ramp-ups and broader market uncertainties, our non-customer-exclusive manufacturing facilities are expected to operate at close to full utilisation in 2026, supported by strong demand from our new Sports and high-end Fashion customers. Given our strong product development pipeline, we remain well placed and focused on winning additional customers in these segments as more brands reassess their supply chain strategies and consolidate with strategic vendors that offer differentiation, high quality and value. Meanwhile, we expect our dedicated factories for our largest Sports customer in the PRC to experience operating deleverage in 2026 as its product mix shifts from export-orientated footwear styles to styles targeted at the domestic PRC market.



Additionally, 2026 will be an important year for our handbag and accessories manufacturing business as we aim to develop it into a core growth driver under our second Three-Year Plan. We will focus on integrating our newly acquired handbag and accessories factory in Vietnam, leveraging its high-end production expertise and experienced team to improve quality levels and production efficiency.

We remain fully committed to returning up to US\$60 million of additional cash to shareholders in 2026 through share repurchases and special dividends, following the return of US\$120 million additional cash across 2024 and 2025, on top of paying regular dividends with a payout ratio of approximately 70% (comprising final dividends and interim dividends). Both this planned return of cash and our increased capital expenditure for 2026 for new factories and Vietnam R&D centre are already fully pre-funded within our balance sheet.

## CASH RETURN TO SHAREHOLDERS

As we work towards implementing our strategies, we remain committed to returning profit and providing attractive returns to our shareholders.

After considering the Group's free cash flow situation, strong cash levels, and pre-funded capital expenditure projects, the Board has resolved to recommend the payment of a final dividend of HK37 cents per ordinary share. Combined with the interim dividend of HK52 cents per ordinary share, this maintains the Company's normal payout ratio of approximately 70% set against our adjusted net profits of US\$137.0 million.

The Group remains committed to returning additional cash up to US\$60 million per year to shareholders in 2025 and 2026, through a combination of share repurchases and special dividends, on top of paying regular dividends with a payout ratio of approximately 70%.

As the Group did not conduct any share repurchase during the year, the Board has resolved to recommend payment of a special dividend of HK56 cents per ordinary share.

As a result, the Group's full-year dividend (subject to shareholders' approval of the proposed final dividend and special dividend at the forthcoming annual general meeting) declared for the year ended 31 December 2025 (comprising interim dividend, final dividend and special dividend) is HK145 cents per ordinary share.

# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2025, the Group had cash and cash equivalents of approximately US\$373.3 million (31 December 2024: US\$423.5 million), representing a decrease of 11.9% compared to 31 December 2024, following the return of additional cash of US\$60 million in May 2025 (by way of payment of special dividend) under our excess cash return program.

During the year under review, cash generated from operations was US\$194.7 million (2024: US\$264.1 million).

Net cash outflows used in investing activities were US\$81.4 million during the year under review (2024: US\$31.4 million), representing a decrease of 159.2%. Capital expenditure amounted to approximately US\$91.2 million during the year under review (2024: US\$67.0 million).



As at 31 December 2025, the Group had current assets of approximately US\$860.7 million (2024: US\$893.2 million) and current liabilities of approximately US\$299.0 million (2024: US\$279.1 million). The current ratio (which is calculated on the basis of current assets over current liabilities) was 2.9 as at 31 December 2025 (2024: 3.2), an indication of the Group's high liquidity and healthy financial position.

## BANK BORROWINGS

The Group had bank borrowings of US\$5.8 million as at 31 December 2025 (2024: US\$5.9 million), which are principally denominated in New Taiwan dollars, Hong Kong dollars and U.S. dollars, with an effective interest rate of 1.11%-5.00%.

The Group maintained a net cash position of US\$367.4 million as at 31 December 2025 (31 December 2024: US\$417.6 million). Therefore, the Group's net gearing ratio, was -33.1% as at 31 December 2025 compared to -37.4% as at 31 December 2024.

## 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 U.S. dollars, the functional currency of the Group.

## PLEDGE OF ASSETS

As at 31 December 2025, the Group had pledged US\$11.1 million of its assets (31 December 2024: US\$10.7 million).

## CONTINGENT LIABILITIES

As at 31 December 2025, the Group had no contingent liabilities (31 December 2024: Nil).

## MATERIAL ACQUISITION AND DISPOSAL

During the year ended 31 December 2025, the Group had no material acquisition or disposal of subsidiaries, associates or joint ventures. The Group completed the acquisition of a small handbag and accessories factory in Vietnam in July 2025 to support the growth and future development of its handbag and accessories manufacturing business, which transaction is not subject to any disclosure or shareholders' approval requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## SIGNIFICANT INVESTMENT

As at 31 December 2025, the Group did not hold any significant investments with a value of 5% or more of the Group's total assets.

## FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

## MAJOR CUSTOMERS AND SUPPLIERS

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

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 2025, the Group had approximately 45,400 direct employees (2024: 42,600) and an overall workforce of approximately 65,400 (2024: 63,200). Our overall workforce includes both direct employees of the Group and employees indirectly employed by the Group (which refers to workers supplied by contractor companies under labour supply agreements). We cultivate a caring, sharing and learning culture among our employees and believe that human resources are significant assets to the Group's development and expansion. We actively seek to attract, develop and retain individuals who are



proactive, positive, committed to and passionate about our business.

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



# CORPORATE GOVERNANCE REPORT

# CORPORATE GOVERNANCE REPORT

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”).

## CORPORATE 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.

## CORPORATE PURPOSE, STRATEGY AND GOVERNANCE

### Corporate strategy, business model and culture

The Board assumes responsibility for its leadership and control and collectively responsible for promoting its success by directing and supervising its affairs, enabling the Directors making decisions objectively in the best interests of the Group.

The Board is the governing body of the Group. It establishes the Group’s mission, values and strategy, and ensure that the Group’s culture is aligned. We have adopted a business model and strategy (as disclosed under the “Management Discussion and Analysis” section in this annual report) upon which we would generate value in the long run.

### Corporate Governance Functions – the 4 Rs

The Board has delegated the corporate governance functions to the Corporate Governance Committee. Focusing on the 4 Rs – regulatory compliance, risk management, investor relations and corporate social responsibilities, the principal role and function of the Corporate Governance Committee, which are set out in its terms of reference, include the following:

1. to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board;
2. to review the Company’s compliance with the Corporate Governance Code (the “CG Code”) contained in Appendix C1 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;
3. to develop and review the Company’s policies and practices on environmental, social and governance (“ESG”) and make recommendations to the Board;
4. to review and monitor the evaluation and management of ESG-related issues;
5. to review and monitor the progress made against ESG-related goals and targets;
6. to review the Company’s compliance with the Listing Rules on disclosure of ESG-related issues in the ESG Report;
7. to review and monitor the training and continuous professional development of directors and senior management; and
8. to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements.

*Note:* for more details of the Group’s ESG vision, initiatives and performance, please refer to the Company’s 2025 Environmental, Social and Governance Report of the Company.

The terms of reference are posted on the Stock Exchange's website and the Company's website.

The Corporate Governance Committee currently has four members comprising four independent non-executive Directors, namely Bolliger Peter, Chan Fu Keung, William, *BBS*, Yue Chao-Tang, Thomas and Ma Hui-Fan, Connie (appointed with effect from 1 January 2026). The chairman of the Corporate Governance Committee is Bolliger Peter.

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

- reviewed annual corporate governance report and ESG report and related disclosure in the annual and interim reports;
- reviewed corporate governance framework;
- reviewed ESG-related matters;
- reviewed the board evaluation program;
- reviewed corporate disclosure policy; and
- reviewed training and continuous professional development of Directors and senior management.

#### Corporate Governance Practices

The Company's governance practices are reflected in the Group's various policies and guidelines, including 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
- Anti-Corruption and Anti-Bribery Code of Conduct

#### Compliance with CG Code

Throughout the year 2025, the Company has complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the CG Code. Having regard to the individual circumstances and operations of the Group and the risks and challenges it faces, the Directors are of the view that effective application of the principles of good corporate governance set out in Part 2 of the CG Code and the underlying spirit has been achieved by such means.

## BOARD COMPOSITION AND NOMINATION

### Board composition, succession and evaluation

As at the date of this annual report, the Board comprises nine Directors, including four executive Directors and five independent non-executive Directors. A list of members of the Board, their positions and dates of appointment and each Director's biography have been set out in the section headed "Biographies of Directors and Senior Management".

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 serves as a mechanism to ensure that independent views and input are available to the Board and that the Board 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. Board independence is also maintained through regularly review by the Nomination Committee of the independence of the independent non-executive Directors. In addition, independent professional advice is sought as and when required by individual Directors.

The composition of the Board, by category, is disclosed in all corporate communications.

The Company has maintained on its website and on the Stock Exchange's website an updated list of Directors identifying their roles and functions and whether they are independent non-executive Directors.

### 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 recommendation 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. Our measurable objectives include increasing diversity of functional experience, increasing understanding of operating markets and target customer segments.

## 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.

## 5. Gender Diversity

The Directors consider that gender diversity of the Board has been achieved with Ms. Wan Sin Yee, Sindy and Ms. Ma Hui-Fan, Connie (appointed with effect from 1 January 2026) on board as independent non-executive Director. The Nomination Committee will continue to search for and identify suitably qualified candidates and make nomination recommendations to the Board as and when appropriate to ensure there will be successors to the Board from time to time to maintain gender diversity wherever necessary.

As at the date of approval of this annual report, the workforce (including members of the senior management as disclosed in the section headed "Biographies of Directors and Senior Management – Senior Management" on this annual report) are in the 4:1 ratio of women to men. For details of our hiring practices, please refer to our ESG Report. In order to pursue gender diversity, similar considerations are taken into account when selecting and hiring people across the Group's operations.

## Board Evaluation

- *Objectives*

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.

- *Process*

We have engaged a third-party consultant to work with the Corporate Governance Committee in the board evaluation process to ensure independence and effectiveness. The Board evaluates its performance by completing a set of questionnaires focused on leadership and responsibilities, board composition, process, supply of and access to information, financial reporting and internal controls, complemented with interviews conducted with each Director separately to understand more accurately their feedback. A board evaluation report is then released and presented to the Corporate Governance Committee and the Board. Afterwards the management devises an action plan to implement the recommendations given.

## Appointments, re-election and removal

The Company has maintained a formal, considered and transparent procedure for appointment of new directors. There are in place plans for orderly succession for appointments, 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.

All Directors (including non-executive Directors (if any) and independent non-executive Directors) are appointed for a specific term and are subject to retirement by rotation at least once every three years.

All executive Directors have in-depth industry knowledge and established track records, 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.

Where the Board proposes a resolution to elect an independent non-executive Director at general meeting, the circular to shareholders of the Company includes information on the process for identifying the individual and why the Board believes the individual should be elected and the reasons why it considers the individual is independent; and perspectives, skills and experience that the individual can bring to the Board and how the individual contributes to the diversity of the Board.

In cases where an independent non-executive Director has served more than nine years, his further appointment is subject to independence assessment by the Nomination Committee followed by the Board's determination and separate resolution to be approved by the shareholders of the Company. The papers to shareholders accompanying that resolution state why the Board believes that the director is still independent and should be re-elected.

The Board endeavours to strengthen the board composition by appointing suitable candidates as new independent non-executive directors in response to the new Listing Rules requirements on the tenure cap.

### Nomination Committee

The principal role and function of the Nomination Committee, which are set out in its terms of reference, 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. The terms of reference of the Nomination Committee are posted on the Stock Exchange's website and the Company's website.

As at the date of this annual report, the Nomination Committee has five members comprising all independent non-executive Directors, namely, Wan Sin Yee, Sindy, Chan Fu Keung, William, *BBS*, Yue Chao-Tang, Thomas, Bolliger Peter and Ma Hui-Fan, Connie (appointed with effect from 1 January 2026). The chairman of the Nomination Committee is Wan Sin Yee, Sindy. During the year, Ms. Shi Nan Sun had also served on the Nomination Committee prior to her retirement as an independent non-executive Director with effect from 16 January 2025.

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

- reviewed the structure, size and composition of the Board;
- reviewed the board diversity policy;
- discussed succession planning;
- 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
- assessed the independence of independent non-executive Directors.

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.

## DIRECTORS' RESPONSIBILITIES, DELEGATION AND BOARD PROCEEDINGS

### Responsibilities of Directors

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.

All newly appointed Directors receive an induction programme on their respective appointment, 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 programme includes an induction package given to newly appointed Directors, which comprises a brief introduction to 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 receive monthly updates comprising the Group's financial information and business update. In addition, they also receive market intelligence materials (called Monthly Industry Tracker), for them to better appraise the industry in which the Group operates.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as its code for dealing in securities of the Company by the Directors for the relevant employees of the Group. Having made specific enquiry of all the Directors of the Company, all Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the year.

The persons occupying the following positions are regarded as the relevant employees of the Company who shall be subject to the restrictions on dealings in the Company's shares under the Model Code. This list is reviewed by the Corporate Governance Committee on annual basis:

Chief Executive Officer  
Chief Operating Officer  
Chief Financial Officer  
Company Secretary  
Head of Investor Relations  
Senior managers in various business divisions

All Directors are required to provide the Company with their training records. At the same time the Company is responsible for arranging and funding continuous professional development programmes for the Directors.

During the year, Directors participated in training sessions for update on changes to the business, legal and regulatory environments in which the Group operates, as follows:

Name of Directors	Kinds of Training
<b>Executive Directors</b>	
Chen Li-Ming, Lawrence (Chairman)	A, B, C
Chi Lo-Jen (Chief Executive Officer)	A, B, C
Gillman Charles Christopher	A, B, C
Chiang Yi-Min, Harvey	A, B, C
<b>Independent Non-executive Directors</b>	
Bolliger Peter	A, B, C
Chan Fu Keung, William, <i>BBS</i>	A, B, C
Yue Chao-Tang, Thomas	A, B, C
Shi Nan Sun <sup>(Note)</sup>	N/A
Wan Sin Yee, Sindy	A, B, C
A: Legal/regulatory	
B: Business	
C: Financial	

*Note:* retired on 16 January 2025

Ms. Ma Hui-Fan, Connie obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 2 December 2025. She has confirmed that she understood her obligations as director of the Company.

The Directors are required to confirm to the Company at the time of appointment, and subsequently on semi-annual basis any change, the number and nature of offices held in public companies or organisations and other significant commitments. These measures ensure that the Directors can devote sufficient time and make contributions to the Group that are commensurate with their roles and board responsibilities. The Board also ensures that changes to its composition can be managed without undue disruption.

The Independent non-executive Directors contribute the benefit of their skills, expertise and varied background and qualifications through regular attendance and active participation in the Board and Board committee meetings on which they serve. They make positive contribution to the Group's business strategy and policies through exercising independent judgment on issues discussed and giving constructive and informed comments at such meetings. They also scrutinise the Company's performance by reviewing the business and financial performance updates at such meetings and follow up with any outstanding issues afterwards on regular basis.

Directors are entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred by them in the execution of the duties of their office. A Directors and Officers Liability Insurance Policy is in place to cover the liability of the Company's Directors and officers.

#### Chairman and Chief Executive

Mr. Chen Li-Meng Lawrence serves as the Chairman of our Board and Mr. Chi Lo-Jen serves as the Chief Executive Officer. 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

# CORPORATE GOVERNANCE REPORT

## Management functions

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. To ensure 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 has been established with specific written terms of reference which deal clearly with the committee's authority and duties.

## Board Committees

The Board has four corporate governance-related Board committees, namely the Audit Committee, Corporate Governance Committee, Remuneration Committee and Nomination Committee. These committees are formed with specific terms of reference which deal clearly with their authority and duties. The terms of reference of these Board committees require them to report back to the board on their decisions or recommendations.

## Board process

### Attendance records

The Directors' meetings attendance records for the year 2025 are set out below:

	Board of Directors Meetings	Audit Committee Meetings	Corporate Governance Committee Meetings	Nomination Committee Meetings	Remuneration Committee Meetings	Annual General Meeting
<b>Board of Directors Meetings</b>						
Number of Meetings	6	3	2	2	2	1
<u>Executive Directors</u>						
Chen Li-Ming, Lawrence (Chairman of the Board)	6/6					1/1
Chi Lo-Jen (Chief Executive Officer)	6/6					0/1
Gillman Charles Christopher	6/6					1/1
Chiang Yi-Min, Harvey	6/6					1/1
<u>Independent Non-executive Directors</u>						
Bolliger Peter	6/6		2/2	2/2		1/1
Chan Fu Keung, William	5/6	3/3	2/2	2/2	2/2	0/1
Yue Chao-Tang, Thomas	6/6	3/3	2/2	2/2	1/2	1/1
Shi Nan Sun <i>(Note)</i>	0/1					
Wan Sin Yee, Sindy	6/6	3/3		2/2	2/2	1/1

*Note:* retired on 16 January 2025

Attendance of each Director is stated by reference to the number of board meetings, board committee meetings and annual general meeting held during his/her tenure. No meeting was attended by the alternate of any Director.

Apart from the formal Board meetings, the Chairman maintains open dialogue and interacts with the independent non-executive Directors, such as holding meetings with the independent non-executive Directors from time to time without the presence of other Directors, to ensure effective communication.

#### Relationships among the members of the Board

Chiang Yi-Min, Harvey is the cousin of the executive director 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 during the year.

#### Meeting process

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.

At least 14 days formal notice has been given to all Directors for regular Board meetings.

Regular Board meetings in 2025 have already been scheduled to ensure compliance with the CG Code and to facilitate Directors' attendance.

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.

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.

Directors are entitled to seek external independent legal advice at the Company's expense.

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.

The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings and he takes an active role in encouraging Directors to make full and active participation in Board meetings. Relevant members of the senior management attend the meetings to present the Group's business/financial performance updates. 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. The Directors have separate and independent access to the Company's senior management to obtain further information as required to make informed decisions.

### Company Secretary

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. All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman.

Kan Siu Yim, Katie, the company secretary of the Company, is an employee of the Company and she has day-to-day knowledge of the Company's affairs. During the year, she has attended no less than 15 hours of relevant professional training in accordance with the requirement under Rule 3.29 of the Listing Rules.

## AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

### Financial reporting

The Board endeavours to present a balanced, clear and comprehensive assessment of the Group's performance, position and prospects.

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. The management provides all members of the Board with monthly updates 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.

Directors and auditor of the Company have stated their responsibilities on pages 43 and 75 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.

### Risk Management and Internal Control

The Board is responsible for evaluating and determining the nature and extent of risks the Group is willing to take in achieving its strategic objectives, and for ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems covering material risks related to financial, operational, compliance, and Environmental, Social, and Governance ("ESG") matters. The Board confirms that these systems are designed to manage risks within an acceptable range rather than to eliminate the risk of failing to achieve business objectives, and therefore can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Group adopts a COSO-based risk management and internal control system, comprising five components: control environment, risk assessment, control activities, information and communication, and monitoring. The system integrates strategic monitoring, management monitoring, compliance monitoring, and business process monitoring to ensure process integrity, enhance operational efficiency, improve the quality of decision-making information, and maintain high standards of corporate governance. The system and the Internal Audit Manual have been reviewed in light of changes in internal operational processes and the business environment.

The Board reviews the effectiveness of the Group's risk management and internal control systems at least annually. The review scope includes management's ability to monitor and respond to significant risk changes, the work of the internal audit function and other assurance providers, ongoing monitoring activities, and the mechanisms through which management reports monitoring results to the Board. The internal audit function formulates an annual audit plan based on risk assessments, which is reviewed and approved by the Audit Committee to ensure coverage of areas with significant impact on the Group.

Based on the results of the annual review, and taking into account the work performed by management, the internal audit function and other assurance providers, the Board considers the Company's risk management and internal control systems to be effective and adequate in all material respects.

The Group has established mechanisms to address significant control deficiencies or weaknesses, including incident assessment, risk mitigation plans, and follow-up actions. If any situation has or may have a material impact on the Group's financial performance or position, it will be reported monthly or as necessary to senior management and the Audit Committee in accordance with established reporting procedures, and subsequently submitted to the Board for consideration to ensure timely remediation and enhanced risk management. The Board confirms that no significant control deficiencies or weaknesses were identified during the year.

The Board annually reviews the adequacy of resources, staff qualifications and experience, training programs, and budget for the Group's accounting, internal audit, financial reporting, and ESG reporting functions, and considers the current systems effective and compliant with the Listing Rules and financial reporting requirements.

The internal audit team reports directly to the Audit Committee, the Chairman, and the Chief Executive Officer. The Group's external auditor, Ernst & Young, submitted a report to the Audit Committee on internal control matters for the year ended 31 December 2025 in accordance with Hong Kong Standards on Auditing.

The Board has adopted the Memorandum on Inside Information, which governs the management, protection, and disclosure of inside information to prevent false market information. This covers the monitoring framework, assessment procedures, and segregation of duties. The Group has a whistleblowing policy that allows employees and key stakeholders to raise concerns confidentially and anonymously to the Internal Audit Office or the Corporate Social Responsibility Department. The Group has also established anti-corruption and anti-bribery codes of conduct to promote a culture of integrity and an anti-fraud framework.

### Audit Committee

With the support of the Audit Committee, the Board has put in place 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 principal role and function of the Audit Committee, which are set out in its terms of reference, 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, review of the Company's compliance with any applicable laws and regulations, and review arrangements employees of the Company 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 fair and independent investigation of these matters and for appropriate follow-up action. The terms of reference are posted on the Stock Exchange's website and the Company's website.

## CORPORATE GOVERNANCE REPORT

As at the date of this Annual Report, the Audit Committee has three members comprising three independent non-executive Directors, namely Yue Chao-Tang, Thomas, Chan Fu Keung, William, *BBS* and Wan Sin Yee, Cindy. The Chairman of the Audit Committee is Yue Chao-Tang, Thomas.

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

- reviewed financial reporting system;
- reviewed the risk management and internal control systems;
- reviewed and discussed interim and annual results; and
- monitored the Group's tax matters.

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.

### 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 2025 was US\$666,000 and US\$210,000 respectively. The non-audit services related primarily to tax consulting and ESG 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.

### Process

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.

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.

## REMUNERATION

A formal and transparent policy on directors' remuneration policy is in place, and the procedure for setting policy on executive directors' remuneration and all directors' remuneration packages are formal and transparent. Remuneration levels are well discussed at Remuneration Committee meetings. No Director has been involved in deciding his/her own remuneration.

### Directors' Remuneration Policy

The Group endeavours to provide a fair market level of remuneration to attract, retain and motivate high quality executive Directors, senior management and employees.

### Remuneration Committee

The principal role and function of the Remuneration Committee, which are set out in its terms of reference, 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. The terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.

The Remuneration Committee currently has four members comprising four independent non-executive Directors, Chan Fu Keung, William, *BBS*, Yue Chao-Tang, Thomas, Wan Sin Yee, Cindy and Ma Hui-Fan, Connie (appointed with effect from 1 January 2026). The chairman of the Remuneration Committee is Chan Fu Keung, William, *BBS*.

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

- reviewed the Group's human resources and remuneration strategies;
- reviewed major human resources projects;
- reviewed and determined the policy for the remuneration of executive Directors;
- made recommendations to the Board on the proposed remuneration packages of individual Directors and senior management;
- assessing performance of executive directors; and
- approving the terms of executive directors' service contracts.

## CORPORATE GOVERNANCE REPORT

### Process

The Remuneration Committee adopts the model of making recommendations to the Board on the remuneration packages of individual executive directors and senior management. 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.

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.

The remuneration of the senior management of the Company by band was set out in Note 10 to the financial statements.

## SHAREHOLDERS ENGAGEMENT

### Investor relations

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 roadshows in order to maintain a continuing communication with the institutional analysts, investors and financial media.

During the financial year, in order to solicit and understand the views of Shareholders and other stakeholders, over 310 investor relations activities were conducted including investor group calls, one-on-one calls and meetings, factory visits, non-deal roadshows and investor conferences in which Shareholders and other participants are allowed to communicate their views on various matters affecting the Group. Effective communication was achieved between the investment community and the Company as the Company promptly, transparently, and effectively communicated the Company's operational and financial performance during the year under review.

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 communicating with shareholders and investment community;
- (e) to determine policy on meetings with investment community;
- (f) to determine policy on commenting on analysts' earnings estimates;
- (g) to determine policy on responding to rumours/leaks/inadvertent disclosures; and
- (h) to determine policy on forward-looking statements.

The Corporate Governance Committee reviews this Corporate Disclosure Policy on an annual basis.

The Company has a dividend policy which is disclosed in the Directors' Report of this Annual Report.

#### Constitutional documents

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

## 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.

## Annual General Meeting

In order to ensure that our shareholders are given sufficient notice of shareholders meetings and are familiar with the procedures for conducting a poll, notice of the 2025 AGM together with annual reports and financial statements are dispatched to the shareholders more than 30 days prior to the meeting. Comprehensive information is also given on each separate resolution to be proposed.

Chen Li-Ming, Lawrence, the chairman of the Board had attended the 2025 AGM and the chairman or member of the Audit Committee, the Corporate Governance Committee, the Remuneration Committee and the Nomination Committee attended the 2025 AGM to answer Shareholders' questions. In addition, members of the senior management, and Ernst & Young, the Company's external auditor, had attended the 2025 AGM to answer Shareholders' questions.

Detailed explanation regarding the procedures for demanding poll by Shareholders had been provided at the commencement of the 2025 AGM.

## 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 75.





**BIOGRAPHIES**  
OF DIRECTORS  
AND SENIOR  
MANAGEMENT

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Set forth below are the biographical details of each individual who holds directorship in the Company or senior management position in the Group as at the date of this annual report.

### EXECUTIVE DIRECTORS

**CHEN Li-Ming, Lawrence**, aged 65, 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 40 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, marketing, manufacturing and branding activities. He is a director of Cordwalner Bonaventure Inc., the single largest shareholder of the Company. He is also indirectly interested in the issued share capital of Cordwalner Bonaventure Inc.

**CHI Lo-Jen**, aged 54, is an Executive Director of the Company, 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 30 years of experience in the footwear industry, during which he gained extensive brand exposure across all aspects of the Group's operations, including fashion, casual and fashion-athletic businesses. As CEO, Mr. Chi oversees the Group's overall operations and is responsible for setting its business development strategies. He leads engagement with key stakeholders while fostering innovation and sustainable growth. He has played a pivotal role in expanding the Group's high-fashion customer base and establishing its fashion-athletic footwear business, now a key growth driver. Mr. Chi studied mechanical engineering at Carnegie Mellon University in the United States. He also serves as a director for several subsidiaries of the Company which are engaged in design, marketing, manufacturing and branding activities. Mr. Chi is the cousin of the Executive Director, Chiang Yi-Min, Harvey.

**GILLMAN Charles Christopher**, aged 64, is an Executive Director of the Company and a member of the Executive Committee of the Board. Mr. Gillman joined the Group in 2018 and has over 40 years of experience in the footwear industry. He was responsible for the Sports Footwear Division of the Group until retirement with effect from 28 February 2026. He remained a member of the Board and shall provide strategic guidance to the Group. Prior to joining the Group, he was the president (worldwide sourcing) at Caleres, Inc. (formerly known as Brown Shoe Company), with extensive exposure in business operations in various aspects such as product development, sales and marketing and logistics, until 2017 after 35 years of service. He holds a Bachelor of Science degree in Business Administration from the Indiana University, the United States.

**CHIANG Yi-Min, Harvey**, aged 42, is an Executive Director of the Company and a member of the Executive Committee of the Board. Mr. Chiang joined the Group since 2007 and has over 19 years of experience in the footwear industry. He is currently responsible for business development and product creation centre of the Group's brand customers. He also serves as a director for several subsidiaries of the Company which are engaged in design, marketing, manufacturing and branding activities. He holds a Bachelor of Sociology degree in Manhattan College, the United States. He is the son of Mr. Chiang Jeh-Chung, Jack, one of the founders of the Group and the former Non-executive Director. He is also the cousin of the Executive Director, Chi Lo-Jen.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**BOLLIGER Peter**, aged 81, 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. From February 2015 to June 2021, he was an Independent Non-executive Director of GrandVision B.V., a company which was then listed on the Euronext N.V. In addition, he was the Non-executive Chairman of Kurt Geiger, London from May 2016 to May 2025. Mr. Bolliger has been appointed as Independent Non-executive Director of the Company since October 2010.

**CHAN Fu Keung, William, BBS**, aged 77, 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 currently a Non-executive Director of the Urban Renewal Authority Board and a member of the Hospital Governing Committee of the Grantham Hospital. From December 2012 to November 2018, he was a member of the Hospital Authority Board. 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.

## BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

**YUE Chao-Tang, Thomas**, aged 72, 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. He has been in the accounting profession for over 40 years. Mr. Yue also holds various positions in the academic field. 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. From June 2013 to May 2022, Mr. Yue was an Independent Director of Uni-President Enterprises Corp. (Stock Code: 1216), the shares of which are listed on the Taiwan Stock Exchange. From June 2014 to June 2023, Mr. Yue was an Independent Director of Johnson Health Tech. Co., Ltd. (Stock Code: 1736), the shares of which are listed on the Taiwan Stock Exchange. From June 2015 to June 2024, Mr. Yue was an Independent Director of Feng Hsin Steel Co., Ltd. (Stock Code: 2015), the shares of which are 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.

**WAN Sin Yee, Sindy**, aged 52, is an Independent Non-executive Director of the Company, the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Board. She is a Managing Director at the investment banking division of Goldman Sachs Asia L.L.C., which she left in 2015 after spending 13 years at the firm. She worked at management consulting firm A.T. Kearney after earning a Bachelor's degree in Business Administration from The Chinese University of Hong Kong. She also holds a Master of Business Administration degree from the Wharton School and a Master of Arts degree in International Studies from the Lauder Institute from the University of Pennsylvania. Ms. Wan has been appointed as an Independent Non-executive Director of the Company since March 2023.

**MA Hui-Fan, Connie**, aged 64, is an Independent Non-executive Director of the Company, and a member of the Corporate Governance Committee, the Nomination Committee and the Remuneration Committee of the Board. She was a Vice President of Human Resources at Taiwan Semiconductor Manufacturing Company Limited, a company listed on the Taiwan Stock Exchange (stock code: 2330) and the New York Stock Exchange (stock code: TSM) ("TSMC"). She retired in 2022 after eight years with the company. Ms. Ma has over 30 years of experience in human resources. Prior to joining TSMC, she was a Senior Vice President at Trend Micro Incorporated, a company listed on the Tokyo Stock Exchange Prime Market (stock code: 4704) and received the "National HRD InnoPrize" of the Human Resources Innovation Award from the Council of Labor Affairs, Executive Yuan of Taiwan. Since May 2023, Ms. Ma has served as an independent director of Primax Electronics Limited, a company listed on the Taiwan Stock Exchange (stock code: 4915). Ms. Ma holds a bachelor's degree in business administration awarded by Soochow University, Taiwan and a Master of International Business Administration degree awarded by National Taiwan University, Taiwan. Ms. Ma has been appointed as an Independent Non-executive Director of the Company since January 2026.

## SENIOR MANAGEMENT

**CHAO Yi-Tang**, aged 41, is the Vice President of the Group. Mr. Chao joined the Group since February 2011 and has over 10 years of experience in the footwear industry. He is currently in charge of business development and product creation of the Group's Sports Division. He holds a Bachelor of science degree in Chemical Engineering from the University of California-Berkeley, the United States. He is the son of Mr. Chao Ming-Cheng, Eric, one of the founders of the Group and the former Non-executive Director.

**CHEN Yu-Chiu**, aged 52, is the Vice President of the Group. Mr. Chen joined the Group in May 1998 and has over 25 years of experience in the footwear industry. He is currently responsible for global production factory operations for the Group's Sports Division. He holds an Associate's degree in Electrical Engineering from Fortune Junior College of Technology and Commerce, Taiwan (now Fortune Institute of Technology (FIT)).

**HUANG Lin-I**, aged 52, is the Vice President of the Group. Mr. Huang joined the Group in August 1998, and has over 25 years of experience in the footwear industry. He is currently in charge of operations in the Group. He holds a Bachelor's degree in Applied Math from Chung Yuan Christian University in Taiwan.

**CHENG Chun-Chuan**, aged 52, is the Vice President of the Group. Mr. Cheng joined the Group in March 2000 and has over 20 years of experience in the footwear industry. He is currently in charge of production management of fashion, women's, and casual footwear of all factories in Vietnam. He holds a Bachelor's degree in commercial design from Chung Yuan Christian University in Taiwan.

**CHANG Hao-Chueh**, aged 53, is the Vice President of the Supply Chain Management Centre of the Group. Mr. Chang joined the Group in May 2000 and has over 20 years of experience in the footwear industry. He holds a Bachelor's degree in commercial design from Chung Yuan Christian University, Taiwan. He has rotated through various departments throughout his time with the Group, including research and development, production, factory management and procurement.

**TAM Siu Ming, Andrew**, aged 48, 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 and privatised in May 2020, where he led the corporate finance, financial planning and analysis, treasury and investor relations functions. From 2007 to 2013, he was Assistant Portfolio Manager at Janus Capital, investing across emerging markets and various business sectors. 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 Business School, Boston, United States.





# DIRECTORS' REPORT

# 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 2025.

## 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 2025.

## BUSINESS REVIEW

For details of business review in relation to the development, performance or position of the Company’s business, please refer to the section headed “Management Discussion and Analysis” of this annual report and the 2025 Environmental, Social and Governance Report of the Company. 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 an approximately 70% cash return to the shareholders of the Company in the form of final dividends and interim dividends.

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss and other comprehensive income on page 78.

The Board recommended the payment of a final dividend of HK37 cents per ordinary share to shareholders of the Company (the “Shareholders”) for the year ended 31 December 2025. In addition to the payment of a final dividend, the Board recommended the payment of a special dividend of HK56 cents per ordinary share to the Shareholders for the year ended 31 December 2025 in recognition of the continual support of the Shareholders. The proposed final dividend and special dividend, amounting to approximately US\$39.6 million and US\$60.0 million respectively, will be paid to Shareholders whose names appear on the register of members of the Company on Wednesday, 20 May 2026, if the proposals are approved by the Shareholders at the forthcoming annual general meeting of the Company (the “AGM”) to be held on Thursday, 14 May 2026. It is expected that the final dividend and special dividend, if approved, will be paid on Friday, 5 June 2026.

In order to qualify for the proposed final dividend and special dividend to be approved at the AGM, 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 Wednesday, 20 May 2026.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 11 May 2026 to Thursday, 14 May 2026 (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, 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 Friday, 8 May 2026.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2025 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 2025 are set out in note 29 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 178.

## BANK BORROWINGS

Details of bank borrowings for the year ended 31 December 2025 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 2025 are set out in the consolidated statement of changes in equity and note 30 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to Shareholders as at 31 December 2025 were US\$499.6 million (2024: US\$452.1 million).

# DIRECTORS' REPORT

## DIRECTORS

As at the date of this annual report, the Directors of the Company comprises:

### Executive Directors:

Chen Li-Ming, Lawrence

Chi Lo-Jen

Gillman Charles Christopher

Chiang Yi-Min, Harvey

### Independent Non-executive Directors:

Bolliger Peter

Chan Fu Keung, William, *BBS*

Yue Chao-Tang, Thomas

Wan Sin Yee, Sindy

Ma Hui-Fan, Connie (Appointed on 1 January 2026)

During the year, Ms. Shi Nan Sun served as an independent non-executive Director prior to her retirement with effect from 16 January 2025.

In accordance with article 86(3) of the Company's articles of association, Ms. Ma Hui-Fan, Connie being the independent non-executive director appointed by the Board with effect from 1 January 2026, will hold office until the AGM and being eligible, offer herself for re-election.

In accordance with article 87(1) of the Company's articles of association, Chen Li-Ming, Lawrence, Yue Chao-Tang, Thomas and Wan Sin Yee, Sindy will retire by rotation at the AGM.

## 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 2025, 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 2025, 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.

The Company confirms that none of the related party transactions disclosed in note 36 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 that were not 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 "The 2017 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 an annual confirmation of independence based on the factors set forth in 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 taking into account the assessment guidelines set out in Rule 3.13 of the Listing Rules.

## DISCLOSURE OF INTERESTS

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

As at 31 December 2025, 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")) as 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 C3 to the Listing Rules were as follows:

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

Director	Capacity/ Nature of Interests	Number of Shares			Total	Approximate Percentage of Shareholding (Note 1)
		Personal Interest	Corporate Interest	Number of Underlying Shares		
Chan Fu Keung	Beneficial owner	100,000	–	–	100,000	0.01%
Chen Li-Ming, Lawrence	Beneficial owner and interest of controlled corporation	777,000	27,992,227 (Note 2)	–	28,769,227	3.43%
Chi Lo-Jen	Beneficial owner	2,783,500	–	4,449,500 (Note 3)	7,233,000	0.86%
Chiang Yi-Min, Harvey	Beneficial owner and beneficiary of a trust	53,447,418 (Note 4)	–	3,479,500 (Note 5)	56,926,918	6.78%
Gillman Christopher Charles	Beneficial owner	439,411	–	900,000 (Note 6)	1,339,411	0.16%

*Notes:*

- The percentage represents the number of shares involved divided by the number of the Company's issued shares as at 31 December 2025 (i.e. 839,726,500 ordinary shares).
- 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.
- These interests are share options (as described under the section headed "The 2017 Scheme" below), out of which 3,949,500 share options were vested but not yet exercised.
- These interests are held as to 700,000 shares by Mr. Chiang personally and as to 52,747,418 shares by Chiang Family (PTC) Limited, a trustee of which Mr. Chiang is the sole director and a beneficiary.
- These interests are share options (as described under the section headed "The 2017 Scheme" below), out of which 3,079,500 share options were vested but not yet exercised.
- These interests are share options (as described under the section headed "The 2017 Scheme" below), out of which 750,000 share options were vested but not yet exercised.

Save as disclosed above, as at 31 December 2025, 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 as 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 2025, 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 were as follows:–

Long position in the shares of the Company:

Name	Capacity/Nature of Interest	Number of Shares	Approximate percentage of Shareholding (Note 1)
Cordwalner Bonaventure Inc.	Beneficial owner	173,508,593	20.66%
Chiang Jeh-Chung, Jack <sup>(Note 2 &amp; 3)</sup>	Beneficial owner and founder of a discretionary trust who can influence how the trustee exercises its discretion	53,078,918	6.32%
CA Indosuez (Switzerland) SA, Singapore Branch	Custodian	52,747,418	6.28%
Chiang Family (PTC) Limited <sup>(Note 2)</sup>	Interest of Controlled Corporation	52,747,418	6.28%
Merci Capital Limited <sup>(Note 2)</sup>	Beneficial owner	52,747,418	6.15%

Notes:

- The percentage represents the number of shares involved divided by the number of the Company's issued shares as at 31 December 2025 (i.e. 839,726,500 ordinary shares).
- Chiang Family (PTC) Limited is a trustee in which Mr. Chiang Jeh-Chung, Jack is the founder of the trust who can influence how the trustee exercises its discretion. Such interests were held by Merci Capital Limited, the entire issued share capital of which was held by Chiang Family (PTC) Limited. Mr. Chiang Jeh-Chung, Jack and Chiang Family (PTC) Limited were each deemed to be interested in the shares of the Company in which Merci Capital Limited was interested by virtue of the SFO.
- Chiang Jeh-Chung, Jack was directly interested in 331,500 issued shares of the Company which were held by him personally.

Save as disclosed above, as at 31 December 2025, to the best of the knowledge, information and belief of the Directors, 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 as recorded in the register required to be kept by the Company under section 336 of the SFO.

## 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 2017 SCHEME

A share option scheme (the "2017 Scheme") was approved by an ordinary resolution of the shareholders of the Company on 19 May 2017 for a period of 10 years from the adoption date. The 2017 Scheme was terminated upon adoption of a new share option scheme (the details as described under "The 2024 Scheme" below) with effect from 9 May 2024 pursuant to a resolution passed at the annual general meeting on the same date. As provided in the 2017 Scheme, upon its termination, no further share options may be offered under the 2017 Scheme, but in all other respects the provisions of the 2017 Scheme shall remain in force to the extent necessary to give effect to the exercise of any share options granted prior thereto (to the extent not already exercised) or otherwise as may be required in accordance with the provisions of the 2017 Scheme. The share options outstanding shall continue to be governed by and valid and exercisable in accordance with the provisions of the 2017 Scheme.

### Purpose

The purpose of the 2017 Scheme was to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors considered the 2017 Scheme, with its broadened basis of participation, would enable the Group to reward the employees, the Directors and other selected participants for their contributions to the Group. Given that the Directors were entitled to determine any performance targets to be achieved as well as the minimum period that an option must be held before an option could be exercised on a case by case basis, and that the exercise price of an option could not in any event fall below the price stipulated in the Listing Rules or such higher price as might be fixed by the Directors, it was expected that grantees of an option would 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) might, 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 held 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 provided 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 had contributed or might 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 might be granted to any company wholly-owned by one or more persons belonging to any of the above classes of participants. The eligibility of any of the above class of participants to the grant of any option shall be determined by the Directors from time to time on the basis of the Directors’ opinion as to his contribution to the development and growth of the Group. Pursuant to the transitional arrangements prescribed by the Stock Exchange, with effect from 1 January 2023, among the classes of participants mentioned above, the Company might continue to grant share options under the 2017 Scheme only to those participants who fall within the definition of “eligible participants” under Chapter 17 of the Listing Rules, i.e. (a) Directors and employees of the Company or any of its subsidiaries (including persons who were granted share options under the 2017 Scheme as an inducement to enter into employment contracts with these companies); (b) directors and employees of the associated companies of the Company; and (c) persons who provided services to the Group on a continuing or recurring basis in its ordinary and usual course of business which were in the interests of the long term growth of the Group.

## Maximum number of shares

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

The Company might 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 might be issued upon exercise of all options to be granted under the 2017 Scheme and any other share option scheme of the Group must not exceed 10% of the shares in issue as at the date of approval of the refreshed limit.

The Company might 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 was sought.

The maximum number of shares which might 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 might 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 was 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 was 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 might vote against the relevant resolution at the general meeting provided that his intention to do so had 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 might be accepted by a participant within 21 days from the date of the offer of grant of the option.

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

### Subscription price for shares and consideration for the option

The subscription price for shares under the 2017 Scheme would be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares. A nominal consideration of HK\$1 was payable on acceptance of the grant of an option and shall be received by the Company within such time as might 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 shall remain in force for a period of 10 years commencing on 19 May 2017 and expire on 18 May 2027. As explained above, the 2017 Scheme had been terminated upon adoption of a new share option scheme (the details as described under "The 2024 Scheme" below) with effect from 9 May 2024 pursuant to a resolution passed at the annual general meeting on the same date.

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

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

During the year under review, no share options were granted, a total of 15,115,000 share options were exercised and a total of 300,000 share options had lapsed under the 2017 Scheme. As at 31 December 2025, 23,136,500 share options were outstanding (being the number of share options granted less the number of share options that had been exercised or cancelled (if any) or that had lapsed).

As the 2017 Scheme had already been terminated prior to the beginning of the year under review, the number of options that remained available for grant throughout the year under review under the scheme mandate of the 2017 Scheme was nil.

# DIRECTORS' REPORT

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

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

Category of participants	Outstanding as at 1 January 2025	Vesting date	Exercise period	Exercise price	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2025
Employee	335,500	2022 Vesting Date (Note 2)	2022 Vesting Date (Note 2) to 5 July 2027	HK\$8.71	(335,500)	-	-	-
	900,000	2023 Vesting Date (Note 3)	2023 Vesting Date (Note 3) to 5 July 2027	HK\$8.71	(693,000)	-	-	207,000
	<u>1,235,500</u>				<u>(1,028,500)</u>	-	-	<u>207,000</u>

### Notes:

1. The closing price of the Shares on 14 April 2020, the trading day immediately before the date on which the April 2020 Share Options were granted, was HK\$8.60 per Share. The April 2020 Share Options were granted after the market closed on 15 April 2020 on which the closing price was HK\$8.71 per Share.
2. 2022 Vesting Date refers to the business day immediately following the date of results announcement of the Company for the financial year ended 31 December 2021, i.e. 18 March 2022.
3. 2023 Vesting Date refers to the business day immediately following the date of results announcement of the Company for the financial year ended 31 December 2022, i.e. 17 March 2023.
4. The weighted average closing price of the Shares immediately before the dates on which the relevant April 2020 Share Options were exercised as set out in the table above, was HK\$14.71 per Share.

November 2020 Share Options (date of grant: 26 November 2020) (Note 5)

Category of participants	Outstanding as at 1 January 2025	Vesting date	Exercise period	Exercise price	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2025
<b>Directors</b>								
Chi Lo-Jen	316,500	26 November 2021	26 November 2021 to 25 November 2030	HK\$9.15	-	-	-	316,500
	316,500	26 November 2022	26 November 2022 to 25 November 2030	HK\$9.15	-	-	-	316,500
	316,500	26 November 2023	26 November 2023 to 25 November 2030	HK\$9.15	-	-	-	316,500
Chiang Yi-Min, Harvey	226,500	26 November 2021	26 November 2021 to 25 November 2030	HK\$9.15	-	-	-	226,500
	226,500	26 November 2022	26 November 2022 to 25 November 2030	HK\$9.15	-	-	-	226,500
	226,500	26 November 2023	26 November 2023 to 25 November 2030	HK\$9.15	-	-	-	226,500
Gillman Christopher Charles	226,500	26 November 2021	26 November 2021 to 25 November 2030	HK\$9.15	(226,500)	-	-	-
	226,500	26 November 2022	26 November 2022 to 25 November 2030	HK\$9.15	(226,500)	-	-	-
	226,500	26 November 2023	26 November 2023 to 25 November 2030	HK\$9.15	(226,500)	-	-	-
	<u>2,308,500</u>				<u>(679,500)</u>	-	-	<u>1,629,000</u>
<b>Employees</b>								
	727,000	26 November 2021	26 November 2021 to 25 November 2030	HK\$9.15	(327,000)	-	-	400,000
	940,500	26 November 2022	26 November 2022 to 25 November 2030	HK\$9.15	(377,500)	-	-	563,000
	1,055,500	26 November 2023	26 November 2023 to 25 November 2030	HK\$9.15	(468,000)	-	-	587,500
	<u>2,723,000</u>				<u>(1,172,500)</u>	-	-	<u>1,550,500</u>
	<u>5,031,500</u>				<u>(1,852,500)</u>	-	-	<u>3,179,500</u>

Notes:

- The closing price of the Shares on 25 November 2020, the trading day immediately before the date on which the November 2020 Share Options were granted, was HK\$9.21 per Share. The November 2020 Share Options were granted after the market closed on 26 November 2020 on which the closing price was HK\$9.15 per Share.
- The weighted average closing price of the Shares immediately before the dates on which the relevant November 2020 Share Options were exercised as set out in the table above, was HK\$16.79 per Share.

# DIRECTORS' REPORT

## March 2021 Share Options (date of grant: 19 March 2021) (Note 7)

Category of participants	Outstanding as at 1 January 2025	Vesting date	Exercise period	Exercise price	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2025
<b>Directors</b>								
Chi Lo-Jen	500,000	19 March 2022	19 March 2022 to 18 March 2031	HK\$9.46	-	-	-	500,000
	500,000	19 March 2023	19 March 2023 to 18 March 2031	HK\$9.46	-	-	-	500,000
	500,000	19 March 2024	19 March 2024 to 18 March 2031	HK\$9.46	-	-	-	500,000
Chiang Yi-Min, Harvey	400,000	19 March 2022	19 March 2022 to 18 March 2031	HK\$9.46	-	-	-	400,000
	400,000	19 March 2023	19 March 2023 to 18 March 2031	HK\$9.46	-	-	-	400,000
	400,000	19 March 2024	19 March 2024 to 18 March 2031	HK\$9.46	-	-	-	400,000
Gillman Christopher Charles	150,000	19 March 2022	19 March 2022 to 18 March 2031	HK\$9.46	(150,000)	-	-	-
	150,000	19 March 2023	19 March 2023 to 18 March 2031	HK\$9.46	(150,000)	-	-	-
	150,000	19 March 2024	19 March 2024 to 18 March 2031	HK\$9.46	(150,000)	-	-	-
	<u>3,150,000</u>				<u>(450,000)</u>	<u>-</u>	<u>-</u>	<u>2,700,000</u>
<b>Employees</b>								
	995,000	19 March 2022	19 March 2022 to 18 March 2031	HK\$9.46	(110,000)	-	-	885,000
	1,228,000	19 March 2023	19 March 2023 to 18 March 2031	HK\$9.46	(343,000)	-	-	885,000
	1,739,500	19 March 2024	19 March 2024 to 18 March 2031	HK\$9.46	(804,500)	-	-	935,000
	<u>3,962,500</u>				<u>(1,257,500)</u>	<u>-</u>	<u>-</u>	<u>2,705,000</u>
	<u>7,112,500</u>				<u>(1,707,500)</u>	<u>-</u>	<u>-</u>	<u>5,405,000</u>

### Notes:

- The closing price of the Shares on 18 March 2021, the trading day immediately before the date on which the March 2021 Share Options were granted, was HK\$9.54 per Share. The March 2021 Share Options were granted after the market closed on 19 March 2021 on which the closing price was HK\$9.46 per Share.
- The weighted average closing price of the Shares immediately before the dates on which the relevant March 2021 Share Options were exercised as set out in the table above, was HK\$16.58 per Share.

January 2022 Share Options (date of grant: 3 January 2022) (Note 9)

Category of participants	Outstanding as at 1 January 2025	Vesting date	Exercise period	Exercise price	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2025
<b>Directors</b>								
Chi Lo-Jen	500,000	3 January 2023	3 January 2023 to 2 January 2032	HK\$9.10	-	-	-	500,000
	500,000	3 January 2024	3 January 2024 to 2 January 2032	HK\$9.10	-	-	-	500,000
	500,000	3 January 2025	3 January 2025 to 2 January 2032	HK\$9.10	-	-	-	500,000
Chiang Yi-Min, Harvey	400,000	3 January 2023	3 January 2023 to 2 January 2032	HK\$9.10	-	-	-	400,000
	400,000	3 January 2024	3 January 2024 to 2 January 2032	HK\$9.10	-	-	-	400,000
	400,000	3 January 2025	3 January 2025 to 2 January 2032	HK\$9.10	-	-	-	400,000
Gillman Christopher Charles	150,000	3 January 2023	3 January 2023 to 2 January 2032	HK\$9.10	-	-	-	150,000
	150,000	3 January 2024	3 January 2024 to 2 January 2032	HK\$9.10	-	-	-	150,000
	150,000	3 January 2025	3 January 2025 to 2 January 2032	HK\$9.10	-	-	-	150,000
	<u>3,150,000</u>				-	-	-	<u>3,150,000</u>
<b>Employees</b>								
Employees	1,502,000	3 January 2023	3 January 2023 to 2 January 2032	HK\$9.10	(927,000)	-	(30,000)	545,000
	1,975,000	3 January 2024	3 January 2024 to 2 January 2032	HK\$9.10	(905,000)	-	(30,000)	1,040,000
	4,820,000	3 January 2025	3 January 2025 to 2 January 2032	HK\$9.10	(3,105,000)	-	(30,000)	1,685,000
	<u>8,297,000</u>				<u>(4,937,000)</u>		<u>(90,000)</u>	<u>3,270,000</u>
<b>Consultant providing consultancy services to the Group (Note 10)</b>								
Consultant providing consultancy services to the Group (Note 10)	-	3 January 2023	3 January 2023 to 2 January 2032	HK\$9.10	-	-	-	-
	-	3 January 2024	3 January 2024 to 2 January 2032	HK\$9.10	-	-	-	-
	15,000	3 January 2025	3 January 2025 to 2 January 2032	HK\$9.10	(15,000)	-	-	-
	<u>15,000</u>				<u>(15,000)</u>			<u>-</u>
	<u>11,462,000</u>				<u>(4,952,000)</u>		<u>(90,000)</u>	<u>6,420,000</u>

Notes:

- The closing price of the Shares on 31 December 2021, the trading day immediately before the date on which the January 2022 Share Options were granted, was HK\$9.43 per Share. The January 2022 Share Options were granted after the market closed on 3 January 2022 on which the closing price was HK\$9.10 per Share.
- This represents a consultant of the Group, who is a third party independent of the Company and its connected persons (as defined in the Listing Rules) engaged to provide logistics support consultancy services to the Group. These share options were granted to the consultant in consideration of the contribution the consultant had made to the Group's business operations. The grant of the share options to the consultant constitutes rewards for the services rendered and will furnish the consultant with a personal stake in the Company, which the Directors believe will serve to achieve retention purpose and incentivize the consultant to contribute further to the development and growth of the Group for the benefit of the Shareholders.
- The weighted average closing price of the Shares immediately before the dates on which the relevant January 2022 Share Options were exercised as set out in the table above, was HK\$16.26 per Share.

# DIRECTORS' REPORT

## March 2023 Share Options (date of grant: 17 March 2023) (Note 12)

Category of participants	Outstanding as at 1 January 2025	Vesting date	Exercise period	Exercise price	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2025
<b>Directors</b>								
Chi Lo-Jen	-	17 March 2024	17 March 2024 to 16 March 2033	HK\$7.65	-	-	-	-
	500,000	17 March 2025	17 March 2025 to 16 March 2033	HK\$7.65	(500,000)	-	-	-
	500,000	17 March 2026	17 March 2026 to 16 March 2033	HK\$7.65	-	-	-	500,000
Chiang Yi-Min, Harvey	-	17 March 2024	17 March 2024 to 16 March 2033	HK\$7.65	-	-	-	-
	400,000	17 March 2025	17 March 2025 to 16 March 2033	HK\$7.65	(400,000)	-	-	-
	400,000	17 March 2026	17 March 2026 to 16 March 2033	HK\$7.65	-	-	-	400,000
Gillman Christopher Charles	150,000	17 March 2024	17 March 2024 to 16 March 2033	HK\$7.65	-	-	-	150,000
	150,000	17 March 2025	17 March 2025 to 16 March 2033	HK\$7.65	-	-	-	150,000
	150,000	17 March 2026	17 March 2026 to 16 March 2033	HK\$7.65	-	-	-	150,000
	<u>2,250,000</u>				<u>(900,000)</u>	-	-	<u>1,350,000</u>
<b>Employees</b>								
	500,000	17 March 2024	17 March 2024 to 16 March 2033	HK\$7.65	(215,000)	-	-	285,000
	5,315,000	17 March 2025	17 March 2025 to 16 March 2033	HK\$7.65	(4,460,000)	-	(55,000)	800,000
	5,645,000	17 March 2026	17 March 2026 to 16 March 2033	HK\$7.65	-	-	(155,000)	5,490,000
	<u>11,460,000</u>				<u>(4,675,000)</u>	-	<u>(210,000)</u>	<u>6,575,000</u>
	<u>13,710,000</u>				<u>(5,575,000)</u>	-	<u>(210,000)</u>	<u>7,925,000</u>

### Notes:

- The closing price of the Shares on 16 March 2023, the trading day immediately before the date on which the March 2023 Share Options were granted, was HK\$7.46 per Share. The March 2023 Share Options were granted after the market closed on 17 March 2023 on which the closing price was HK\$7.65 per Share.
- The weighted average closing price of the Shares immediately before the dates on which the relevant March 2023 Share Options were exercised as set out in the table above, was HK\$16.11 per Share.

## All share options

Category of participants	Outstanding as at 1 January 2025	Exercised during the year	Cancelled during the year	Lapsed during the year	Outstanding as at 31 December 2025
<b>Directors</b>					
Chi Lo-Jen	4,949,500	(500,000)	–	–	4,449,500
Chiang Yi-Min, Harvey	3,879,500	(400,000)	–	–	3,479,500
Gillman Christopher Charles	2,029,500	(1,129,500)	–	–	900,000
<b>Employees</b>					
Employees	27,678,000	(13,070,500)	–	(300,000)	14,307,500
<b>Consultants providing consultancy services to the Group</b>					
Consultants providing consultancy services to the Group	15,000	(15,000)	–	–	–
	38,551,500	(15,115,000)	–	(300,000)	23,136,500

## THE 2024 SCHEME

As the 2017 Scheme was terminated with effect from 9 May 2024, a new share option scheme (the “2024 Scheme”) was approved by an ordinary resolution of the shareholders of the Company on 9 May 2024 for a period of 10 years from the adoption date. The 2024 Scheme shall be valid and effective for the period commencing on the adoption date, i.e. 9 May 2024, and ending on 8 May 2034, unless terminated on a prior date pursuant to a resolution passed at a general meeting of the Company. The terms of the 2024 Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules, where appropriate.

### Purpose

The purposes of the 2024 Scheme are (i) to enable the Company to grant options to the eligible participants as incentives or rewards for their contribution to the growth and development of the Group; (ii) to attract and retain personnel to promote the sustainable development of the Group; and (iii) to align the interest of the grantees with those of the Shareholders to promote the long-term financial and business performance of the Group.

# DIRECTORS' REPORT

## Participants

Pursuant to the terms of the 2024 Share Option Scheme, the eligible participants whom the Board may invite to take up options under the 2024 Scheme include employee participants only, i.e. employees (whether full time or part time, and including directors other than the independent non-executive Directors) of the Company or any of its subsidiaries (including persons who are granted options under the 2024 Scheme as an inducement to enter into employment contracts with these companies).

## Option Period

The period within which an Option may be exercised by the grantee is to be determined and notified by the Board to the grantee, provided that the period shall not be more than 10 years from the offer date of the Option. In the absence of such determination by the Board, the option period shall commence on the offer date and expire on the earlier of (i) the date on which such Option is cancelled or lapses under the provisions of the 2024 Scheme; and (ii) 10 years from the offer date of the Option.

## Vesting period

A grantee may exercise the options granted to him and subscribe for the Shares only, among others, on or after the vesting date. The vesting period in respect of an Option, which shall commence on the date on which the grantee accepts the offer of the Option and end on the vesting date, shall not be shorter than 12 months from the date of acceptance of the offer.

## Performance targets

The Remuneration Committee (where the grantee is a Director or a Senior Manager) or the Board (where the grantee is an employee participant in any other capacity) may establish performance target(s) the attainment of which shall be a precondition for any exercise of the options granted to the grantee concerned. The Remuneration Committee (or, as the case may be, the Board) shall have the authority, after the grant of any Option which is performance-linked, to make fair and reasonable adjustments to the prescribed performance target(s) during an option period if there is any change in circumstances.

## Clawback mechanism

The Board may further provide in the notice of offer that any Option prior to it being exercised may be subject to clawback or a longer vesting period if certain clawback events shall occur during the option period.

## Maximum number of Shares

The maximum number of Shares which may be allotted and issued in respect of all options to be granted under the 2024 Scheme and all options and awards to be granted under other share schemes shall not exceed ten (10) per cent. of the number of Shares in issue as at the date of approval of the 2024 Scheme i.e. 81,027,500 Shares (the "Scheme Mandate Limit").

The Company may seek approval of the Shareholders at a general meeting for refreshing the Scheme Mandate Limit under this Scheme, provided that (i) the total number of Shares which may be allotted and issued in respect of all options to be granted under the 2024 Scheme and all options and awards to be granted under any other share scheme(s) under the scheme mandate as refreshed must not exceed 10 per cent. of the Shares in issue as at the date of approval of the refreshed scheme mandate.

### Maximum entitlement of each participant

Any offer of options to an eligible participant under the 2024 Scheme would result in the Shares issued and to be issued in respect of all options granted to the eligible participant under the 2024 Scheme and all options and awards granted to the eligible participant under any other share scheme(s) (excluding all options that have lapsed in accordance with the terms of the 2024 Scheme and all options and awards that have lapsed in accordance with the terms of any other share scheme(s)) in the 12-month period up to and including the offer date representing in aggregate over 1 per cent. of the total number of Shares in issue (the “1% Individual Limit”), such an offer must be separately approved by the Shareholders at a general meeting with the eligible participant and his close associates (or his associates if the eligible participant is a connected person of the Company) abstaining from voting.

Where any offer of options to an eligible participant who is a substantial shareholder of the Company or any of their respective associates under the 2024 Scheme would result in the Shares issued and to be issued in respect of all Options granted under this Scheme and all options and awards granted under any other share scheme(s) (excluding all options that have lapsed in accordance with the terms of this Scheme and all options and Awards that have lapsed in accordance with the terms of any other share scheme(s)) to such a person in the 12-month period up to and including the offer date representing in aggregate over 0.1 per cent. of the total number of Shares in issue, such an offer must be approved by the Shareholders at a general meeting. The eligible participant, his associates and all core connected persons of the Company must abstain from voting in favour of the relevant resolution(s) at the general meeting; alternatively, they may vote against the relevant resolution(s) at the general meeting provided that their intention to do so has been stated in the relevant circular to Shareholders.

### Subscription price for Shares

The price per Share at which a grantee may subscribe for the Share on the exercise of an option shall be determined at the discretion of the Board, provided that it must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the offer date, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the offer date; and (iii) the nominal value of a Share.

### Consideration for grant

A consideration of HK\$1 shall be remitted to the Company for any grant of options and shall be received by the Company within such time as may be specified in the offer which shall not be later than 21 days from the offer date.

As at the beginning of the year under review (i.e. 1 January 2025), the number of options available for grant under the scheme mandate of the 2024 Scheme was 81,027,500. No option had been granted under the 2024 Scheme since its adoption. Hence, as at the end of the year under review (i.e. 31 December 2025), the number of options that remained available for grant under the scheme mandate of the 2024 Scheme was 81,027,500.

## SHARE AWARD SCHEME

### THE 2024 SHARE AWARD SCHEME

Pursuant to a resolution passed by the Board, with effect from the conclusion of the annual general meeting held on 9 May 2024, a new share award scheme (the “2024 Share Award Scheme”) was adopted to replace the share award plan adopted in 2017.

The 2024 Share Award Scheme provides for the grant by the Company of share awards using existing Shares only and no new shares are available for issue under it. The 2024 Share Award Scheme is not subject to the Shareholders’ approval requirements under Chapter 17 of the Listing Rules.

The specific objectives of the 2024 Share Award Scheme are: (i) to enable the Company to grant options to the eligible participants as incentives or rewards for their contribution to the growth and development of the Group; (ii) to attract and retain personnel to promote the sustainable development of the Group; and (iii) to align the interest of the selected participants with those of the shareholders to promote the long-term financial and business performance of the Group. Eligible participants under the 2024 Share Award Scheme include employees (whether full time or part time, and including Directors other than the independent non-executive Directors) of the Company or any of its subsidiaries.

No maximum entitlement of each participant is prescribed in the 2024 Share Award Plan. In determining the number of shares to be awarded to any selected participant, the Board shall take into consideration matters including, but without limitation to, the following: (a) the present contribution and expected contribution of the relevant selected participant to the profits of the Group; (b) the general financial condition of the Group; (c) the Group’s overall business objectives and future development plan; and (d) any other matter which the Board considers relevant. After the Board has decided to make an award of shares to any eligible participant, the Company shall issue to the eligible participant a written instrument setting out the number of awarded shares and the conditions (if any) upon which such awarded shares were granted. Upon due execution of the grant instrument by both the Company and the relevant eligible participant, the awarded shares are considered as having been granted to and accepted by the eligible participant. Unless otherwise specified in the grant instrument, no consideration is payable upon acceptance of the award of shares.

The Board is entitled to impose any condition, as it deems appropriate at its absolute discretion with respect to the vesting of the awarded shares to the selected participant. The vesting period in respect of any awarded shares granted to any selected participant shall not be shorter than 12 months. The awarded shares will only be transferred to the selected participant upon fulfilment of all vesting conditions prescribed by the Board and expiration of the vesting period. Upon vesting of the awarded shares, the Company shall issue to the selected participant another written instrument to confirm the vesting of the awards.

The 2024 Share Award Scheme shall be valid and effective for a term of ten years commencing on the adoption date, i.e. 9 May 2024, and ending on 8 May 2034, unless terminated on a prior date pursuant to a resolution passed by the Board.

The Board shall appoint a trustee to administer the 2024 Share Award Scheme and maintain a pool of shares for the purpose of satisfying the awards made under the scheme, among others. The Board may from time to time instruct the trustee in writing to purchase shares on the Stock Exchange, which shall comprise the share pool. On each such occasion, the Board shall specify in writing the maximum amount of funds to be used and the range of prices at which such shares are to be purchased. Such a range of purchase prices shall be determined by the Board taking into consideration factors such as the prevailing closing price of the Shares (being the average closing price of the Shares on the Stock Exchange for the five preceding business days on which the Shares are traded on the Stock Exchange), the purpose of the awards to be made with the shares to be purchased, and the characteristics and profile of the relevant selected participants for participation in the scheme. The trustee may not incur more than the maximum amount of funds or purchase any shares at a price falling outside the range of prices so specified unless with the prior written consent of the Board.

As at the date of this annual report, no trustee has been appointed for the purposes of the administration and implementation of the 2024 Share Award Scheme. The Company will appoint independent third party(ies) as trustee(s) to administer the 2024 Share Award Scheme as and when appropriate, and any such trustee holding unvested shares under the 2024 Shares Award Scheme, whether directly or indirectly, shall abstain from voting on matters that require Shareholders' approval under the Listing Rules, unless otherwise required by law to vote in accordance with the beneficial owner's direction and such a direction is given.

Since the adoption date and up to the date of this annual report, no share awards had been granted under the 2024 Share Award Scheme.

## ENTRUSTED SHARES HELD BY A TRUSTEE

Pursuant to the terms of a long term incentive scheme approved by the Shareholders in 2007 which had expired in 2017 (the "2007 Scheme"), the Company has entered into an engagement agreement (the "Engagement Agreement") and a deed of settlement (the "Deed") dated 2 June 2008 and 27 August 2008 respectively with a trustee (the "Trustee") for the administration by the Trustee of the awards of Restricted Unit Awards under the 2007 Scheme. The Engagement Agreement and the Deed were subsequently terminated with effect from 15 July 2013. As at 1 January 2025, the Trustee maintained a pool of 1,778,000 shares (the "Entrusted Shares"). As there is no imminent plan to grant share awards, for governance consideration, it was planned to sell the Entrusted Shares on the market in an orderly manner. During the year under review, 200,000 Entrusted Shares were sold. As at 31 December 2025, the Trustee maintained a pool of 1,578,000 shares (the "Entrusted Shares") (31 December 2024: 1,778,000 shares) on trust for the Company and it will, at the direction of the Company, (i) transfer, assign or otherwise deal with the Entrusted Shares (other than to the Company); and (ii) account for all other incomes and sales proceeds to the Company.

## 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.

## DIRECTORS' REPORT

### CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions amounted to approximately US\$183,000.

### MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's largest customer and five largest customers accounted for approximately 37.4% and 66.2% of the Group's total revenue for the year ended 31 December 2025 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 2025.

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 of determining such information prior to the issue of this annual report.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2025.

### AUDITOR

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 2026.

The financial statements of the Company for the year ended 31 December 2025 were audited by Ernst & Young.

On behalf of the Board

Chen Li-Ming, Lawrence  
*Chairman*

19 March 2026



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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 78 to 177, which comprise the consolidated statement of financial position as at 31 December 2025, 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 material accounting policy information.

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 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as 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”) as 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”), as applicable to audits of financial statements of public interest entities. We have also 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.

# INDEPENDENT AUDITOR'S REPORT

## Key audit matter

### *Provision for expected credit losses on trade receivables*

As at 31 December 2025, the carrying amount of the Group's trade receivables was US\$234.2 million, representing approximately 16.3% of the total assets. As at 31 December 2025, the expected credit losses ("ECLs") on trade receivables amounted to US\$46.2 million.

The measurement of ECLs required the application of significant management judgement and involved complexity, which included the assumptions used in the ECL models (for exposures assessed individually or collectively), such as expected future cash flows and forward-looking macroeconomic factors. Due to the significance of the balance of trade receivables and the corresponding uncertainties inherent in such estimates, we considered this a key audit matter.

The significant accounting judgements and estimates and the disclosures of the ECL provision on trade receivables are included in notes 3 and 22 to the financial statements.

### *Net realisable value of inventories*

As at 31 December 2025, the carrying amount of the Group's inventories was US\$217.4 million, representing approximately 15.1% of the total assets. As at 31 December 2025, the provision for inventories amounted to US\$6.8 million.

The measurement of inventory provision required significant management judgement in assessing whether the net realisable values of the inventories were lower than their carrying amounts at the year end. There were also judgements required in determining inventory obsolescence provisions as these were based on forecasted inventory usage and sales. Due to the significance of the balance of inventories and the corresponding uncertainties inherent in such estimates, we considered this a key audit matter.

The significant accounting judgements and estimates and the disclosures of inventories are included in notes 3 and 21 to the financial statements.

## How our audit addressed the key audit matter

Our audit procedures included understanding and assessing the Group's ECL models, including the model inputs, model design and model performance. We tested the model inputs against the historical customer payment records, the ageing of trade 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 disclosures in the consolidated financial statements relating to the Group's exposure to credit risk.

Our audit procedures included attending inventory counts to observe the physical condition of inventories, on a sampling basis, as at the year end date.

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 on a sampling basis.

## 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 HKFRS Accounting Standards as issued by the 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 HKSA's 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.

## INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSAAs, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

## INDEPENDENT AUDITOR'S REPORT

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 Chung Chi Ming (practising certificate number: P06758).

**Ernst & Young**  
*Certified Public Accountants*  
Hong Kong

19 March 2026

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2025

	<i>Notes</i>	2025 US\$'000	2024 US\$'000
REVENUE	5	1,570,237	1,545,114
Cost of sales		<u>(1,227,907)</u>	<u>(1,161,157)</u>
Gross profit		342,330	383,957
Other income	6	6,705	7,878
Other gains and losses, net	6	(1,221)	10,647
Selling and distribution expenses		(42,504)	(40,389)
Administrative expenses		(155,536)	(164,084)
Impairment losses on financial assets, net		(2,158)	(16,013)
Share of profit of a joint venture		1,630	2,538
Operating profit before changes in fair value of financial instruments		149,246	184,534
Net fair value gains/(losses) on financial assets at fair value through profit or loss		<u>8</u>	<u>(1,106)</u>
Operating profit after changes in fair value of financial instruments		149,254	183,428
Interest income	6	12,707	16,129
Interest expense	7	<u>(752)</u>	<u>(735)</u>
PROFIT BEFORE TAX	8	161,209	198,822
Income tax expense	9	<u>(24,180)</u>	<u>(28,688)</u>
PROFIT FOR THE YEAR		<u>137,029</u>	<u>170,134</u>
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>8,606</u>	<u>(23,443)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		<u>8,606</u>	<u>(23,443)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>145,635</u>	<u>146,691</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2025

	<i>Note</i>	2025 US\$'000	2024 US\$'000
Profit for the year attributable to:			
Owners of the parent		137,987	171,049
Non-controlling interests		(958)	(915)
		<u>137,029</u>	<u>170,134</u>
Total comprehensive income for the year attributable to:			
Owners of the parent		146,966	147,627
Non-controlling interests		(1,331)	(936)
		<u>145,635</u>	<u>146,691</u>
 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	<i>13</i>		
– Basic			
– for profit for the year (in HK dollar)		1.2902	1.6490
(equivalent to US dollar)		<u>0.1655</u>	<u>0.2113</u>
– Diluted			
– for profit for the year (in HK dollar)		1.2712	1.6146
(equivalent to US dollar)		<u>0.1631</u>	<u>0.2069</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2025

	<i>Notes</i>	2025 US\$'000	2024 US\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	14	428,402	387,161
Investment properties	15	974	1,661
Right-of-use assets	16(a)	77,615	73,037
Goodwill	17	2,013	–
Investment in a joint venture	18	51,569	49,939
Investments in associates	19	–	–
Financial assets at fair value through profit or loss	20	2,363	2,363
Pledged deposits	24	5,953	5,795
Deposits for acquisition of property, plant and equipment and leasehold land		10,471	10,169
Total non-current assets		579,360	530,125
<b>CURRENT ASSETS</b>			
Inventories	21	217,428	203,347
Trade receivables	22	234,153	234,552
Prepayments, deposits and other receivables	23	35,825	31,790
Financial assets at fair value through profit or loss	20	13	5
Cash and cash equivalents	24	373,273	423,547
Total current assets		860,692	893,241
<b>CURRENT LIABILITIES</b>			
Trade payables	25	96,943	95,104
Other payables and accruals	26	131,667	127,633
Interest-bearing bank borrowings	27	2,324	1,319
Lease liabilities	16(b)	3,400	2,377
Tax payable		64,678	52,713
Total current liabilities		299,012	279,146
<b>NET CURRENT ASSETS</b>		561,680	614,095
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,141,040	1,144,220

CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION

31 December 2025

	<i>Notes</i>	2025 US\$'000	2024 US\$'000
<b>NON-CURRENT LIABILITIES</b>			
Interest-bearing bank borrowings	<i>27</i>	3,510	4,552
Lease liabilities	<i>16(b)</i>	7,100	3,750
Deferred tax liabilities	<i>28</i>	19,987	18,379
		<u>30,597</u>	<u>26,681</u>
Total non-current liabilities		<u>30,597</u>	<u>26,681</u>
Net assets		<u>1,110,443</u>	<u>1,117,539</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	<i>29</i>	10,742	10,546
Share premium and reserves	<i>30</i>	1,085,709	1,091,670
		<u>1,096,451</u>	<u>1,102,216</u>
Non-controlling interests		13,992	15,323
		<u>1,110,443</u>	<u>1,117,539</u>
Total equity		<u>1,110,443</u>	<u>1,117,539</u>

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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 2025

Attributable to owners of the parent												
Notes	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000 (Note 30(a))	Capital reserve US\$'000 (Note 30(b))	Exchange reserve US\$'000	Shares held for share award scheme US\$'000	Capital redemption reserve US\$'000 (Note 30(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 2025	10,546	197,613	38,841	1,146	(44,453)	(2,722)	190	7,698	893,357	1,102,216	15,323	1,117,539
Profit for the year	-	-	-	-	-	-	-	-	137,987	137,987	(958)	137,029
Other comprehensive income for the year:												
Exchange differences on translation of foreign operations	-	-	-	-	8,979	-	-	-	-	8,979	(373)	8,606
Total comprehensive income for the year	-	-	-	-	8,979	-	-	-	137,987	146,966	(1,331)	145,635
Acquisition of non-controlling interest in a subsidiary	-	-	(671)	-	-	-	-	-	-	(671)	-	(671)
Equity-settled share option arrangements	31	-	-	-	-	-	-	278	-	278	-	278
Issue of shares upon exercise of share options	29(b)	196	19,727	-	-	-	-	(3,078)	-	16,845	-	16,845
Final 2024 dividend	12	-	-	-	-	-	-	-	(53,390)	(53,390)	-	(53,390)
Special 2024 dividend	12	-	-	-	-	-	-	-	(59,796)	(59,796)	-	(59,796)
Interim 2025 dividend	12	-	-	-	-	-	-	-	(55,997)	(55,997)	-	(55,997)
At 31 December 2025	10,742	217,340*	38,170*	1,146*	(35,474)*	(2,722)*	190*	4,898*	862,161*	1,096,451	13,992	1,110,443

Attributable to owners of the parent												
Notes	Share capital US\$'000	Share premium US\$'000	Merger reserve US\$'000 (Note 30(a))	Capital reserve US\$'000 (Note 30(b))	Exchange reserve US\$'000	Shares held for share award scheme US\$'000	Capital redemption reserve US\$'000 (Note 30(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 2024	10,171	157,984	38,841	1,146	(21,031)	(2,722)	190	12,736	853,890	1,051,205	16,259	1,067,464
Profit for the year	-	-	-	-	-	-	-	-	171,049	171,049	(915)	170,134
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations	-	-	-	-	(23,422)	-	-	-	-	(23,422)	(21)	(23,443)
Total comprehensive income for the year	-	-	-	-	(23,422)	-	-	-	171,049	147,627	(936)	146,691
Equity-settled share option arrangements	31	-	-	-	-	-	-	1,477	-	1,477	-	1,477
Issue of shares upon exercise of share options	29(a)	375	39,629	-	-	-	-	(6,515)	-	33,489	-	33,489
Final 2023 dividend	-	-	-	-	-	-	-	-	(63,415)	(63,415)	-	(63,415)
Interim 2024 dividend	12	-	-	-	-	-	-	-	(68,167)	(68,167)	-	(68,167)
At 31 December 2024	10,546	197,613*	38,841*	1,146*	(44,453)*	(2,722)*	190*	7,698*	893,357*	1,102,216	15,323	1,117,539

\* These reserve accounts comprise the consolidated share premium and reserves of US\$1,085,709,000 (2024: US\$1,091,670,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	<i>Notes</i>	2025 US\$'000	2024 US\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		161,209	198,822
Adjustments for:			
Finance costs	7	752	735
Share of profit of a joint venture		(1,630)	(2,538)
Interest income	6	(12,707)	(16,129)
Loss/(gain) on disposal of items of property, plant and equipment	6	1,088	(10,006)
Gain on disposal of leasehold land	6	–	(4,184)
Fair value loss/(gain) on financial assets at fair value through profit or loss, net		(8)	1,106
Depreciation of property, plant and equipment	8	49,319	47,944
Depreciation of investment properties	8	739	721
Depreciation of right-of-use assets	8	6,689	6,628
Impairment of financial assets, net		2,158	16,013
Write-down of inventories to net realisable value	8	2,316	753
Equity-settled share option expense	31	278	1,477
		<u>210,203</u>	<u>241,342</u>
Increase in inventories		(12,871)	(6,799)
Decrease in trade receivables		4,488	27,984
Decrease in prepayments, deposits and other receivables		3,709	8,908
Increase/(decrease) in trade payables		(855)	13,667
Increase/(decrease) in other payables and accruals		466	(7,287)
		<u>205,140</u>	<u>277,815</u>
Cash generated from operations		205,140	277,815
Interest paid		(308)	(317)
Taxes paid		(10,096)	(13,431)
		<u>194,736</u>	<u>264,067</u>
Net cash flows from operating activities		194,736	264,067

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2025

	<i>Notes</i>	2025 US\$'000	2024 US\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		12,707	16,129
Purchases of items of property, plant and equipment		(87,343)	(66,559)
Additions to right-of-use assets		(3,437)	–
Acquisition of subsidiaries	32	(3,628)	–
Deposits paid for acquisition of property, plant and equipment and leasehold land		(417)	(421)
Proceeds from disposal of items of property, plant and equipment		871	14,357
Proceeds from disposal of a leasehold land		–	5,298
Placement of pledged deposits		(158)	(158)
		<u>(81,405)</u>	<u>(31,354)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans		134,709	111,418
Repayment of bank loans		(134,824)	(112,528)
Principal portion of lease payments		(3,265)	(3,021)
Acquisition of non-controlling interest in a subsidiary		(1,000)	–
Dividends paid		(169,183)	(131,582)
Interest paid		(444)	(418)
Proceeds from issue of shares upon exercise of share options	29	16,845	33,489
		<u>(157,162)</u>	<u>(102,642)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
		(43,831)	130,071
Cash and cash equivalents at beginning of year		423,547	294,471
Effect of foreign exchange rate changes, net		(6,443)	(995)
		<u>373,273</u>	<u>423,547</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>			
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances		158,803	85,313
Non-pledged time deposits	24	214,470	338,234
		<u>373,273</u>	<u>423,547</u>
Cash and cash equivalents as stated in the consolidated statement of financial position		<u>373,273</u>	<u>423,547</u>

## 1. CORPORATE AND GROUP INFORMATION

Stella International Holdings Limited (the “Company”) is 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 Company and the subsidiaries (collectively referred to as the “Group”) were involved in the following principal activities:

- development, manufacture and sale of footwear and handbags
- 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		Principal activities
			Direct	Indirect	
JW FDN Limited	British Virgin Islands (“BVI”)	US\$100	–	60	Investment holding
P.T. Young Tree Industries	Indonesia	Indonesian Rupiah (“IRD”) 106,842,000,000	–	100	Manufacture of footwear
P.T. Tyfountex Indonesia	Indonesia	US\$20,800,000	–	56.4	Manufacture of footwear
Stella Fashion Group Limited	BVI	US\$4	–	100	Investment holding
Stella Fashion SAS	France	EUR1,000,000	–	100	Footwear retailing
Stella Footwear Inc.	BVI	US\$3,947	–	100	Investment holding

# NOTES TO FINANCIAL STATEMENTS

31 December 2025

## 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		Principal activities
			Direct	Indirect	
Stella International Limited	Vanuatu	US\$1	100	–	Investment holding
Stella International Marketing Company Limited	Malaysia	US\$10,000	100	–	Marketing activities
Stella International Trading (Macao Commercial Offshore) Limited	Macau	Macanese Pataca 200,000	–	100	Sale of footwear
Stella Leather Goods (Ho Chi Minh) Co., Ltd.	Vietnam	US\$1,000,000	–	100	Manufacture of handbags
Stella Luna Sol Limited	Hong Kong	Hong Kong Dollar ("HK\$") 1	–	100	Holding of intellectual property rights
Stella Romano Trading Limited	Taiwan	New Taiwan Dollar ("NTD") 1,000,000	–	100	Sale of footwear
Stella Services Limited	Hong Kong	HK\$300,000	100	–	Provision of secretarial and accounting services
TY Foundation Limited	Liberia	Nil	–	60	Investment holding
Vietnam Golden Victory Company Limited	Vietnam	US\$25,000,000	–	100	Manufacture 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		Principal activities
			Direct	Indirect	
洞口興雄鞋業有限公司 ("Dongkou Selena Footwear Company Limited")*	The People's Republic of China (the "PRC")/ Mainland China	US\$10,000,000	–	100	Manufacture 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	Manufacture of footwear
東莞新創鞋業科技有限公司 ("Dongguan Stella Footwear Product Creation Company Limited")*	The PRC/ Mainland China	Renminbi ("RMB") 12,000,000	–	100	Manufacture 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	Manufacture of footwear
龍川興萊鞋業有限公司 ("Longchuan Simona Footwear Company Limited")*	The PRC/ Mainland China	HK\$220,000,000	–	100	Manufacture 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	Manufacture of footwear
邵陽連泰鞋業有限公司 ("Shaoyang Stella Footwear Company Limited")*	The PRC/ Mainland China	RMB237,600,000	–	100	Manufacture of footwear
邵陽縣興昂鞋業有限公司 ("Shaoyang Yuan Stella Footwear Company Limited.")*	The PRC/ Mainland China	RMB44,550,000	–	100	Manufacture of footwear

# NOTES TO FINANCIAL STATEMENTS

31 December 2025

## 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		Principal activities
			Direct	Indirect	
雙峰興昂鞋業有限公司 ("Shuangfeng Stella Footwear Company Limited")*	The PRC/ Mainland China	HK\$135,280,000	–	100	Manufacture of footwear
興記時尚(中國)有限公司 ("Stella Fashion (China) Inc.")*	The PRC/ Mainland China	RMB100,000,000	–	100	Footwear retailing
威縣遠達製鞋有限公司 ("Wei County Yuanta Footwear Company Limited")*	The PRC/ Mainland China	US\$10,000,000	–	100	Manufacture 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	Manufacture of footwear

\* Registered as a wholly-foreign-owned enterprise under PRC law.

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. ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) 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 Group for the year ended 31 December 2025. 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).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange reserve; and recognises the fair value of any investment retained and 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2025

## 2. ACCOUNTING POLICIES *(continued)*

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted amendments to HKAS 21 *Lack of Exchangeability* for the first time for the current year's financial statements. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. As the currencies that the Group had transacted in and the functional currencies of overseas subsidiaries, branches, joint venture and associates for translation into the Group's presentation currency were exchangeable, the amendments did not have any impact on the Group's financial statements.

In addition, the HKICPA has issued amendments to Illustrative Examples on HKFRS 7, HKFRS 18, HKAS 1, HKAS 8, HKAS 36 and HKAS 37 *Disclosures about Uncertainties in the Financial Statements*, which added illustrative examples in the corresponding HKFRS Accounting Standards. These examples reflect existing requirements in the corresponding HKFRS Accounting Standards to report the effects of uncertainties in the financial statements using climate-related examples. Therefore, the amendments do not have an effective date or transitional provisions.

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

The Group has not applied the following new and amended HKFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and amended HKFRS Accounting Standards, if applicable, when they become effective.

HKFRS 18	<i>Presentation and Disclosure in Financial Statements</i> <sup>2</sup>
HKFRS 19 and its amendments	<i>Subsidiaries without Public Accountability: Disclosures</i> <sup>2</sup>
Amendments to HKFRS 9 and HKFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> <sup>1</sup>
Amendments to HKFRS 9 and HKFRS 7	<i>Contracts Referencing Nature-dependent Electricity</i> <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to HKAS 21	<i>Translation to a Hyperinflationary Presentation Currency</i> <sup>2</sup>
<i>Annual Improvements to HKFRS Accounting Standards – Volume 11</i>	Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2026

<sup>2</sup> Effective for annual/reporting periods beginning on or after 1 January 2027

<sup>3</sup> No mandatory effective date yet determined but available for adoption

## 2. ACCOUNTING POLICIES *(continued)*

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS *(continued)*

Further information about those HKFRS Accounting Standards that are expected to be applicable to the Group is described below.

HKFRS 18 replaces HKAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from HKAS 1 with limited changes, HKFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in HKAS 1 are moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, which is renamed as HKAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of HKFRS 18, limited, but widely applicable, amendments are made to HKAS 7 *Statement of Cash Flows*, HKAS 33 *Earnings per Share* and HKAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other HKFRS Accounting Standards. HKFRS 18 and the consequential amendments to other HKFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of HKFRS 18 on the presentation and disclosure of the Group's financial statements.

HKFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other HKFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in HKFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with HKFRS Accounting Standards or IFRS Accounting Standards. HKFRS 19 was amended in April 2025 to include IFRS Accounting Standards in the eligibility criteria for applying the standard. The standard was further amended in October 2025 to (i) remove disclosure objectives from HKFRS 19; (ii) reduce the disclosure requirements relating to supplier finance arrangements and a specific class of financial liabilities; and (iii) replace disclosure requirements relating to management-defined performance measures with a cross-reference to HKFRS 18 for entities that use these measures. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply HKFRS 19 and its amendments. Some of the Company's subsidiaries are considering the application of HKFRS 19 and its amendments in their specified financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2025

## 2. ACCOUNTING POLICIES *(continued)*

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS *(continued)*

Amendments to HKFRS 9 and HKFRS 7 *Amendments to the Classification and Measurement of Financial Instruments* clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 9 and HKFRS 7 *Contracts Referencing Nature-dependent Electricity* clarify the application of the "own-use" requirements for in-scope contracts and amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts. The amendments also include additional disclosures that enable users of financial statements to understand the effects these contracts have on an entity's financial performance and future cash flows. The amendments relating to the own-use exception shall be applied retrospectively. Prior periods are not required to be restated and can only be restated without the use of hindsight. The amendments relating to the hedge accounting shall be applied prospectively to new hedging relationships designated on or after the date of the initial application. Earlier application is permitted. The amendments to HKFRS 9 and HKFRS 7 shall be applied at the same time. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 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 resulting from a downstream transaction when the sale or contribution of assets 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 was removed by the HKICPA. However, the amendments are available for adoption now.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS *(continued)*

Amendments to HKAS 21 *Translation to a Hyperinflationary Presentation Currency* require the translation from a non-hyperinflationary functional currency into a hyperinflationary presentation currency at the closing rate. The amendments also require an entity whose functional currency and presentation currency are the currency of a hyperinflationary economy to restate the comparative amounts of a foreign operation whose functional currency is that of a non-hyperinflationary economy, by applying the general price index, in accordance with paragraph 34 of HKAS 29 *Financial Reporting in Hyperinflationary Economies*, to the foreign operation's comparative figures. The amendments introduce certain additional disclosures. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

*Annual Improvements to HKFRS Accounting Standards – Volume 11* set out amendments to HKFRS 1, HKFRS 7 (and the accompanying *Guidance on implementing HKFRS 7*), HKFRS 9, HKFRS 10 and HKAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- *HKFRS 7 Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of HKFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing HKFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing HKFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of HKFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *HKFRS 9 Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with HKFRS 9, the lessee is required to apply paragraph 3.3.3 of HKFRS 9 and recognise any resulting gain or loss in profit or loss. However, the amendments do not address how a lessee distinguishes between a lease modification as defined in HKFRS 16 and an extinguishment of a lease liability in accordance with HKFRS 9. In addition, the amendments have updated certain wording in paragraph 5.1.3 of HKFRS 9 and Appendix A of HKFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *HKFRS 10 Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of HKFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of HKFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.
- *HKAS 7 Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of HKAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2025

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL 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 has 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 the associates and joint venture is included in consolidated profit or loss and consolidated 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 the associates or joint venture is included as part of the Group's investments in the associates or joint venture.

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 and goodwill

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 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.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Business combinations and goodwill *(continued)*

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.

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.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

# NOTES TO FINANCIAL STATEMENTS

31 December 2025

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Fair value measurement

The Group measures certain financial instruments at fair value 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. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL 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 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.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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 each 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

# NOTES TO FINANCIAL STATEMENTS

31 December 2025

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Related parties *(continued)*

(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.

#### 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.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Property, plant and equipment and depreciation *(continued)*

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 land 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 is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

#### Investment properties

Investment properties are interests in land and buildings (including right-of-use assets) held to earn rental income and/or for capital appreciation. 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 each investment property to its residual value over its estimated useful life. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2025

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### 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 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	13 to 50 years
Offices and factories	3 to 10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

#### *(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) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

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.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### *Leases (continued)*

##### *Group as a lessee (continued)*

##### *(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 offices (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 offices that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

##### *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 term and is included in other income in profit or loss due to its non-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 or for which the Group has applied the practical expedient of not adjusting the effect of 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 or for which the Group has applied the practical expedient 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.

## NOTES TO FINANCIAL STATEMENTS

31 December 2025

### 2. ACCOUNTING POLICIES *(continued)*

#### 2.4 MATERIAL 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.

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

##### *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 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.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in profit or loss when the right of payment has been established.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### 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.

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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2025

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### 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 that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Impairment of financial assets *(continued)*

##### *General approach (continued)*

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

##### *Write-off*

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

##### *Simplified approach*

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of 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 or payables, as appropriate.

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2025

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Financial liabilities *(continued)*

##### *Subsequent measurement*

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

##### *Financial liabilities at amortised cost (trade and other payables, and borrowings)*

After initial recognition, trade and other payables, and interest-bearing 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.

##### *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 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.

##### *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*

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### 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, except that deferred tax is not recognised for the Pillar Two income taxes.

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 does not give rise to equal taxable and deductible temporary differences; and
- in respect of taxable temporary differences associated with investments in subsidiaries, 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 does not give rise to equal taxable and deductible temporary differences; and

# NOTES TO FINANCIAL STATEMENTS

31 December 2025

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Income tax *(continued)*

- in respect of deductible temporary differences associated with investments in subsidiaries, 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 each 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 each 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.

#### 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.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception.

When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Revenue recognition *(continued)*

##### *Revenue from contracts with customers (continued)*

##### *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 method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument 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.

##### Share-based payments

The Company operates a share option scheme. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees 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 31 to the financial statements.

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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2025

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### Share-based payments *(continued)*

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.

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.

The employees of the Group’s subsidiaries which operate in Mainland China 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 Mainland China and Hong Kong are charged as expenses when employees have rendered service entitling them to the contributions.

##### *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 the notes 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.

## 2. ACCOUNTING POLICIES *(continued)*

### 2.4 MATERIAL ACCOUNTING POLICIES *(continued)*

#### 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).

The functional currencies of certain overseas subsidiaries, joint venture and associates are currencies other than the United States dollars. 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 are translated into United States dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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.

# NOTES TO FINANCIAL STATEMENTS

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## 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 receivables*

The measurement of expected credit losses under HKFRS 9 on trade receivables requires judgement, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses. These estimates are affected by a number of factors, changes in which can result in different allowance amounts. As at 31 December 2025, the carrying amount of the Group's trade receivables was US\$234,153,000 (2024: US\$234,552,000) and the ECLs on trade receivables amounted to US\$46,152,000 (2024: US\$42,653,000).

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 the effect on probabilities of default, exposures at default and losses given default; and selection of forward-looking macroeconomic scenarios and their probability weightings.

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 2025 was US\$217,428,000 (2024: US\$203,347,000).

#### 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 manufacturing of footwear and handbag
- the retailing and wholesaling segment engages in the sale of products of self-developed brands

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit before tax except that interest income, interest expense, net fair value gains/(losses) on financial assets at fair value through profit or loss, share of profit of a joint venture as well as unallocated corporate income, expenses, gains and losses are excluded from such measurement.

Segment assets exclude financial assets at fair value through profit or loss, pledged deposits and other unallocated head office and corporate assets as these assets are managed on a group basis.

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

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

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## 4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2025

	Manufacturing US\$'000	Retailing and wholesaling US\$'000	Total US\$'000
<b>Segment revenue (note 5)</b>			
Sales to external customers	1,569,515	722	1,570,237
Intersegment sales	432	-	432
Total segment revenue	1,569,947	722	1,570,669
<i>Reconciliation:</i>			
Elimination of intersegment sales			(432)
Revenue			1,570,237
<b>Segment results</b>	155,658	(342)	155,316
<i>Reconciliation:</i>			
Corporate and other unallocated income and gains			45
Corporate and other unallocated expenses and losses			(7,745)
Share of profit of a joint venture			1,630
Operating profit before changes in fair value of financial instruments			149,246
Net fair value gains on financial assets at fair value through profit or loss			8
Operating profit after changes in fair value of financial instruments			149,254
Interest income			12,707
Interest expense			(752)
Profit before tax			161,209
<b>Segment assets</b>	1,380,460	47,616	1,428,076
<i>Reconciliation:</i>			
Corporate and other unallocated assets			11,976
Total assets			1,440,052
<b>Segment liabilities</b>	322,803	2,945	325,748
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			3,861
Total liabilities			329,609
<b>Other segment information</b>			
Share of profit of a joint venture	1,630	-	1,630
Impairment of trade receivables, net	2,158	-	2,158
Loss on disposal of items of property, plant and equipment	1,088	-	1,088
Depreciation of property, plant and equipment	49,319	-	49,319
Depreciation of right-of-use assets	6,623	66	6,689
Write-down/(reversal of write-down) of inventories to net realisable value	2,737	(421)	2,316
Income tax expense	24,069	111	24,180
Investment in a joint venture	51,569	-	51,569
Capital expenditure*	91,197	-	91,197

\* Capital expenditure consists of additions to property, plant and equipment, leasehold land and deposits for acquisition of property, plant and equipment and leasehold land, including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2024

	Manufacturing US\$'000	Retailing and wholesaling US\$'000	Total US\$'000
<b>Segment revenue (note 5)</b>			
Sales to external customers	1,542,519	2,595	1,545,114
Intersegment sales	2,391	–	2,391
<b>Total segment revenue</b>	<b>1,544,910</b>	<b>2,595</b>	<b>1,547,505</b>
<i>Reconciliation:</i>			
Elimination of intersegment sales			(2,391)
<b>Revenue</b>			<b>1,545,114</b>
<b>Segment results</b>	<b>200,144</b>	<b>(9,522)</b>	<b>190,622</b>
<i>Reconciliation:</i>			
Corporate and other unallocated income and gains			24
Corporate and other unallocated expenses and losses			(8,650)
Share of profit of a joint venture			2,538
Operating profit before changes in fair value of financial instruments			184,534
Net fair value losses on financial assets at fair value through profit or loss			(1,106)
<b>Operating profit after changes in fair value of financial instruments</b>			<b>183,428</b>
Interest income			16,129
Interest expense			(735)
<b>Profit before tax</b>			<b>198,822</b>
<b>Segment assets</b>	<b>1,374,058</b>	<b>32,659</b>	<b>1,406,717</b>
<i>Reconciliation:</i>			
Corporate and other unallocated assets			16,649
<b>Total assets</b>			<b>1,423,366</b>
<b>Segment liabilities</b>	<b>295,376</b>	<b>2,600</b>	<b>297,976</b>
<i>Reconciliation:</i>			
Corporate and other unallocated liabilities			7,851
<b>Total liabilities</b>			<b>305,827</b>
<b>Other segment information</b>			
Share of profit of a joint venture	2,538	–	2,538
Impairment of trade receivables, net	7,439	8,574	16,013
Gain on disposal of items of property, plant and equipment	10,006	–	10,006
Gain on disposal of a leasehold land	4,184	–	4,184
Depreciation of property, plant and equipment	47,884	60	47,944
Depreciation of right-of-use assets	6,607	21	6,628
Write-down of inventories to net realisable value	662	91	753
Income tax expense	28,584	104	28,688
Investment in a joint venture	49,939	–	49,939
Capital expenditure*	66,980	–	66,980

\* Capital expenditure consists of additions to property, plant and equipment and deposits for acquisition of property, plant and equipment and leasehold land.

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FINANCIAL STATEMENTS

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4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) *Revenue from external customers*

	2025 US\$'000	2024 US\$'000
North America	739,001	732,874
Europe	362,362	361,676
The PRC	271,992	260,219
Asia, other than the PRC	141,615	141,843
Other countries	55,267	48,502
Total revenue	<u>1,570,237</u>	<u>1,545,114</u>

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

(b) *Non-current assets*

	2025 US\$'000	2024 US\$'000
The PRC	138,873	148,101
Bangladesh	45,590	38,611
Vietnam	156,161	150,859
Indonesia	153,449	112,092
Other countries	76,971	72,304
Total non-current assets	<u>571,044</u>	<u>521,967</u>

The non-current asset information above is based on the locations of the assets and excludes financial assets.

Information about major customers

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

	2025 US\$'000	2024 US\$'000
Derived from the manufacturing segment:		
Customer A	587,932	587,737
Customer B	<u>164,572</u>	<u>N/A*</u>

\* Revenue from this customer did not exceed 10% of the total revenue in the respective year.

## 5. REVENUE

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

(i) *Disaggregated revenue information*

For the year ended 31 December 2025

Segments

	Manufacturing US\$'000	Retailing and wholesaling US\$'000	Total US\$'000
<b>Types of goods</b>			
Sales of footwear and handbags	1,569,515	722	1,570,237
<b>Geographical markets</b>			
North America	739,001	–	739,001
Europe	362,265	97	362,362
The PRC	271,367	625	271,992
Asia, other than the PRC	141,615	–	141,615
Other countries	55,267	–	55,267
<b>Total</b>	<b>1,569,515</b>	<b>722</b>	<b>1,570,237</b>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	1,569,515	722	1,570,237

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FINANCIAL STATEMENTS

31 December 2025

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 2024

Segments

	Manufacturing US\$'000	Retailing and wholesaling US\$'000	Total US\$'000
<b>Types of goods</b>			
Sales of footwear and handbags	1,542,519	2,595	1,545,114
<b>Geographical markets</b>			
North America	732,874	–	732,874
Europe	361,540	136	361,676
The PRC	257,760	2,459	260,219
Asia, other than the PRC	141,843	–	141,843
Other countries	48,502	–	48,502
<b>Total</b>	<b>1,542,519</b>	<b>2,595</b>	<b>1,545,114</b>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	1,542,519	2,595	1,545,114

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. Standard payment terms are generally 30 days and selected payment terms for customers are up to 90 days from delivery, except for new customers, where payment in advance is normally required.

6. OTHER INCOME, OTHER GAINS AND LOSSES, NET AND INTEREST INCOME

	2025 US\$'000	2024 US\$'000
<b><u>Other income</u></b>		
Rental income	2,406	2,620
Sales of scrap	814	779
Government subsidies*	497	647
Others	2,988	3,832
Total other income	<u>6,705</u>	<u>7,878</u>
<b><u>Other gains and losses, net</u></b>		
Gain/(loss) on disposal of items of property, plant and equipment	(1,088)	10,006
Gain on disposal of a leasehold land	–	4,184
Foreign exchange differences, net	(133)	(3,543)
Total other gains and losses, net	<u>(1,221)</u>	<u>10,647</u>
<b><u>Interest income</u></b>		
Bank interest income	12,282	15,709
Others	425	420
Total interest income	<u>12,707</u>	<u>16,129</u>

\* There are no unfulfilled conditions or contingencies relating to these grants.

# NOTES TO FINANCIAL STATEMENTS

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## 7. FINANCE COSTS

An analysis of finance costs is as follows:

	2025 US\$'000	2024 US\$'000
Interest on bank loans	444	418
Interest on lease liabilities	308	317
Total	<u>752</u>	<u>735</u>

## 8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	2025 US\$'000	2024 US\$'000
Cost of inventories sold**		1,225,591	1,160,404
Depreciation of property, plant and equipment	14	49,319	47,944
Depreciation of investment properties	15	739	721
Depreciation of right-of-use assets	16(a)	6,689	6,628
Research and development costs		52,392	47,619
Lease payments not included in the measurement of lease liabilities	16(c)	293	576
Auditors' remuneration		666	641
Employee benefit expenses (excluding directors' and chief executive's remuneration (note 10)):			
Wages and salaries		385,548	366,804
Equity-settled share option expense		–	1,243
Pension scheme contributions*		177	148
Severance pay and other related costs		1,114	8,029
Total		<u>386,839</u>	<u>376,224</u>
Write-down of inventories to net realisable value**		<u>2,316</u>	<u>753</u>

\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

\*\* Included in "Cost of sales".

## 9. INCOME TAX

Tax on profits assessable in Mainland China has been calculated at the applicable PRC corporate income tax (“CIT”) rate of 25% (2024: 25%) during the year.

Hong Kong profits tax has been provided at the rate of 16.5% (2024: 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 (2024: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2024: 8.25%) and the remaining assessable profits are taxed at 16.5% (2024: 16.5%).

Macau Complementary Tax has been provided at the rate of 12% (2024: 12%) on the assessable profits arising in Macau during the year.

As approved by the relevant tax authorities in Vietnam, certain subsidiaries of the Company are entitled to the exemption from income taxes for two to four years followed by four to nine years of a 50% tax reduction based on preferential income tax rates, commencing from the first profitable year. The applicable tax rates for the subsidiaries in Vietnam range from nil to 20% for the years ended 31 December 2024 and 2025.

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

	2025 US\$'000	2024 US\$'000
Current – PRC		
Charge for the year	11,916	15,923
Overprovision in prior years	(12,070)	(987)
Current – Macau		
Charge for the year	14,027	7,696
Overprovision in prior years	(2,208)	(1,081)
Current – Elsewhere		
Charge for the year	1,848	111
Pillar Two income taxes*	9,059	2,780
	<u>22,572</u>	<u>24,442</u>
Deferred tax		
– Withholding tax on undistributed profits (note 28)	1,608	4,246
	<u>24,180</u>	<u>28,688</u>

\* Mainly relates to Macau and Vietnam.

# NOTES TO FINANCIAL STATEMENTS

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## 9. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate for the jurisdiction where the operations of the Group are substantially based to the tax expense at the effective tax rate is as follows:

	2025 US\$'000	2024 US\$'000
Profit before tax	161,209	198,822
Tax at the statutory tax rate at 25% (2024: 25%)	40,302	49,706
Lower tax rates for subsidiaries operating in other jurisdictions	(25,967)	(27,134)
Adjustments in respect of current tax of previous periods	(14,278)	(2,068)
Pillar Two income taxes	9,059	2,728
Profits and losses attributable to a joint venture	(407)	(635)
Income not subject to tax	(2,097)	(6,316)
Expenses not deductible for tax	12,148	5,785
Tax losses not recognised	3,812	2,376
Effect of withholding tax at 10% on the distributable profits of certain subsidiaries	1,608	4,246
Tax charge at the Group's effective rate	24,180	28,688

No share of tax attributable to a joint venture is included in "Share of profit of a joint venture" in the profit or loss for the year ended 31 December 2025 (2024: Nil).

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable rate is 10% for the Group.

As at 31 December 2025, deferred tax liabilities of US\$19,987,000 (2024: US\$18,379,000) have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain subsidiaries of the Group.

### Pillar Two income taxes

The Group is within the scope of the Pillar Two model rules. The Group has applied the temporary mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes. From 1 January 2025, the Group is liable to Pillar Two income taxes under many jurisdictions where minimum top-up tax rule has been implemented. The Group accounts for the additional Pillar Two income taxes as current tax when incurred.

## 9. INCOME TAX *(continued)*

### Pillar Two income taxes *(continued)*

The Group has performed an assessment of its exposure to Pillar Two income taxes based on the information available regarding the Group's financial performance in the current year. As such, the information used is not entirely representative of the actual circumstances in 2025. Based on the assessment, the Group has identified potential exposure and a Pillar Two tax provision amounted to approximately US\$9 million has been provided by the Group in respect of profits earned in Macau and Vietnam where the Pillar Two effective tax rate is below 15%. The Group continues to follow Pillar Two legislative developments, as more countries prepare to enact the Pillar Two model rules, to evaluate the potential future impact on its financial statements.

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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:

	2025 US\$'000	2024 US\$'000
Fees	479	530
Other emoluments:		
Salaries, allowances and benefits in kind	1,113	940
Performance related bonuses*	3,098	3,515
Equity-settled share option expense	–	234
Pension scheme contributions	12	6
Subtotal	4,223	4,695
Total	4,702	5,225

\* 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 (the "Board") and then approved by the Board for the years ended 31 December 2024 and 2025.

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

Certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the financial statements. The fair value of such options, which had 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 prior year was included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

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

	2025 US\$'000	2024 US\$'000
Mr. Bolliger Peter	63	63
Mr. Chan Fu Keung, William	79	79
Mr. Yue Chao-Tang, Thomas	79	79
Ms. Shi Nan Sun (retired on 16 January 2025)	2	53
Ms. Wan Sin Yee, Sindy	72	72
Total	295	346

There was no other emolument payable to the independent non-executive directors during the year (2024: Nil).

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

### (b) Executive directors and the chief executive

	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
2025						
Executive directors:						
Mr. Chen Li-Ming, Lawrence	46	250	508	-	-	804
Mr. Chiang Yi-Min, Harvey	46	150	730	-	11	937
Mr. Gillman Christopher Charles	46	300	180	-	1	527
Subtotal	138	700	1,418	-	12	2,268
Chief executive:						
Mr. Chi Lo-Jen	46	413	1,680	-	-	2,139
Total	184	1,113	3,098	-	12	4,407
2024						
Executive directors:						
Mr. Chen Li-Ming, Lawrence	46	77	460	-	-	583
Mr. Chiang Yi-Min, Harvey	46	150	814	86	6	1,102
Mr. Gillman Christopher Charles	46	300	190	32	-	568
Subtotal	138	527	1,464	118	6	2,253
Chief executive:						
Mr. Chi Lo-Jen	46	413	2,051	116	-	2,626
Total	184	940	3,515	234	6	4,879

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 (2024: Nil). There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year (2024: Nil).

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## 11. EMPLOYEES' EMOLUMENTS

The five highest paid employees during the year included one director and the chief executive (2024: one director 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 (2024: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2025 US\$'000	2024 US\$'000
Salaries, allowances and benefits in kind	741	720
Performance related bonuses	1,868	2,115
Pension scheme contributions	19	13
Equity-settled share option expense	–	268
Total	<u>2,628</u>	<u>3,116</u>

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

	Number of employees	
	2025	2024
HK\$6,500,001 to HK\$7,000,000	2	–
HK\$7,000,001 to HK\$7,500,000	1	–
HK\$7,500,001 to HK\$8,000,000	–	1
HK\$8,000,001 to HK\$8,500,000	–	2
Total	<u>3</u>	<u>3</u>

## 11. EMPLOYEES' EMOLUMENTS *(continued)*

During the year, none (2024: none) of the senior management of the Group was a director of the Company and three (2024: three) of the senior management of the Group were top five highest paid individuals. The emoluments of six (2024: eight) individuals of the senior management of the Group during the year, disclosed pursuant to the Listing Rules, were within the following bands:

	Number of employees	
	2025	2024
HK\$3,000,001 to HK\$3,500,000	–	1
HK\$4,000,001 to HK\$4,500,000	–	–
HK\$5,000,001 to HK\$5,500,000	1	1
HK\$5,500,001 to HK\$6,000,000	2	–
HK\$6,500,001 to HK\$7,000,000	2	1
HK\$7,000,001 to HK\$7,500,000	1	2
HK\$7,500,001 to HK\$8,000,000	–	1
HK\$8,000,001 to HK\$8,500,000	–	2
Total	<u>6</u>	<u>8</u>

During the years ended 31 December 2025 and 2024, no remunerations were paid by the Group to any of these highest paid individuals as an inducement to join or upon joining the Group, or as a compensation for loss of office.

## 12. DIVIDENDS

	2025 US\$'000	2024 US\$'000
Interim – HK52 cents (2024: HK65 cents) per ordinary share	55,997	68,167
Proposed final – HK37 cents (2024: HK50 cents) per ordinary share	39,630	53,390
Proposed special – HK56 cents (2024: HK56 cents) per ordinary share	<u>59,980</u>	<u>59,796</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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## 13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares, excluding a pool of shares maintained by a trustee as disclosed in note 31 to the financial statements, of 833,654,475 (2024: 809,492,835) outstanding during the year.

The calculation of the diluted earnings per share amounts 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 is the number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2025 US\$'000	2024 US\$'000
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	137,987	171,049
	Number of shares	
	2025	2024
<u>Shares</u>		
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation	833,654,475	809,492,835
Effect of dilution – weighted average number of ordinary shares: Share options	12,457,770	17,286,408
Total	846,112,245	826,779,243

## 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 2024,							
net of accumulated depreciation	6,895	235,499	110,956	8,394	1,744	15,365	378,853
Additions	–	7,826	31,946	3,540	1,561	26,226	71,099
Depreciation provided during the year	–	(22,703)	(20,588)	(3,967)	(686)	–	(47,944)
Transfers	–	10,529	1,174	1,189	–	(12,892)	–
Disposals/write-off	–	(3,265)	(790)	(253)	(43)	–	(4,351)
Exchange realignment	(220)	(6,084)	(3,160)	(63)	(54)	(915)	(10,496)
At 31 December 2024 and 1 January 2025,							
net of accumulated depreciation	6,675	221,802	119,538	8,840	2,522	27,784	387,161
Additions	–	4,445	36,681	4,890	571	40,870	87,457
Acquisition of subsidiaries (note 32)	–	–	161	72	6	–	239
Depreciation provided during the year	–	(23,277)	(21,319)	(3,903)	(820)	–	(49,319)
Transfers	–	11,422	803	239	4	(12,468)	–
Disposals/write-off	–	(5)	(842)	(117)	–	–	(964)
Exchange realignment	138	1,020	4,111	(221)	(95)	(1,125)	3,828
At 31 December 2025,							
net of accumulated depreciation	<u>6,813</u>	<u>215,407</u>	<u>139,133</u>	<u>9,800</u>	<u>2,188</u>	<u>55,061</u>	<u>428,402</u>
At 1 January 2024:							
Cost	6,895	424,331	255,151	37,474	7,155	15,365	746,371
Accumulated depreciation	–	(188,832)	(144,195)	(29,080)	(5,411)	–	(367,518)
Net carrying amount	<u>6,895</u>	<u>235,499</u>	<u>110,956</u>	<u>8,394</u>	<u>1,744</u>	<u>15,365</u>	<u>378,853</u>
At 31 December 2024 and 1 January 2025:							
Cost	6,675	403,744	270,384	39,503	8,259	27,784	756,349
Accumulated depreciation	–	(181,942)	(150,846)	(30,663)	(5,737)	–	(369,188)
Net carrying amount	<u>6,675</u>	<u>221,802</u>	<u>119,538</u>	<u>8,840</u>	<u>2,522</u>	<u>27,784</u>	<u>387,161</u>
At 31 December 2025:							
Cost	6,813	422,855	303,162	42,097	7,867	55,061	837,855
Accumulated depreciation	–	(207,448)	(164,029)	(32,297)	(5,679)	–	(409,453)
Net carrying amount	<u>6,813</u>	<u>215,407</u>	<u>139,133</u>	<u>9,800</u>	<u>2,188</u>	<u>55,061</u>	<u>428,402</u>

At 31 December 2025, certain of the Group's freehold land and buildings with net carrying amounts of approximately US\$3,547,000 (2024: US\$3,387,000) and US\$1,156,000 (2024: US\$1,520,000), respectively, were pledged to secure general banking facilities granted to the Group (note 27).

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15. INVESTMENT PROPERTIES

	2025 US\$'000	2024 US\$'000
At 1 January, net of accumulated depreciation	1,661	2,435
Depreciation provided during the year	(739)	(721)
Exchange realignment	52	(53)
	<u>974</u>	<u>1,661</u>
At 31 December, net of accumulated depreciation		
At 1 January:		
Cost	14,895	15,298
Accumulated depreciation	(13,234)	(12,863)
Net carrying amount	<u>1,661</u>	<u>2,435</u>
At 31 December:		
Cost	15,541	14,895
Accumulated depreciation	(14,567)	(13,234)
Net carrying amount	<u>974</u>	<u>1,661</u>

The Group's investment properties consist of 10 (2024: 10) industrial properties in the PRC and are depreciated on a straight-line basis by 5% per annum. The Group's investment properties were valued at US\$42,311,000 (2024: US\$41,511,000) on 31 December 2025 based on valuations performed by Roma Appraisals Limited, an independent professionally qualified valuer. 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.

15. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

Fair value measurement as at 31 December 2025 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
Recurring fair value measurement for:			
Industrial properties	–	–	42,311
	–	–	42,311

Fair value measurement as at 31 December 2024 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
Recurring fair value measurement for:			
Industrial properties	–	–	41,511
	–	–	41,511

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 (2024: Nil).

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.

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## 16. LEASES

### The Group as a lessee

The Group has lease contracts for offices and factories used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 13 years to 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of offices and factories generally have lease terms between 1 year and 10 years (2024: between 1 year and 10 years). Other equipment 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 land US\$'000	Offices and factories US\$'000	Total US\$'000
As at 1 January 2024	72,345	7,736	80,081
Additions	–	1,014	1,014
Depreciation provided for the year	(3,635)	(2,993)	(6,628)
Disposals	(1,114)	–	(1,114)
Exchange realignment	(316)	–	(316)
As at 31 December 2024 and 1 January 2025	67,280	5,757	73,037
Additions	3,437	7,638	11,075
Depreciation provided for the year	(3,445)	(3,244)	(6,689)
Disposals	(15)	–	(15)
Exchange realignment	207	–	207
As at 31 December 2025	<u>67,464</u>	<u>10,151</u>	<u>77,615</u>

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:

	2025 US\$'000	2024 US\$'000
Carrying amount at 1 January	6,127	8,134
New leases	7,638	1,014
Accretion of interest recognised during the year	308	317
Payments	(3,573)	(3,338)
Carrying amount at 31 December	<u>10,500</u>	<u>6,127</u>
Analysed into:		
Current portion	3,400	2,377
Non-current portion	<u>7,100</u>	<u>3,750</u>

The maturity analysis of lease liabilities is as follows:

	2025 US\$'000	2024 US\$'000
Analysed into:		
Within one year or on demand	3,400	2,377
In the second year	2,519	1,454
In the third to fifth years, inclusive	3,101	2,296
More than five years	<u>1,480</u>	<u>–</u>
Total	<u>10,500</u>	<u>6,127</u>

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16. LEASES (continued)

The Group as a lessee (continued)

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

	2025 US\$'000	2024 US\$'000
Interest on lease liabilities	308	317
Depreciation charge of right-of-use assets	6,689	6,628
Expense relating to short-term leases		
– cost of sales	281	562
Expense relating to leases of low-value assets		
– administrative expenses	12	14
	<u>7,290</u>	<u>7,521</u>
Total amount recognised in profit or loss	<u>7,290</u>	<u>7,521</u>

(d) The total cash outflows for leases are disclosed in note 33(b) to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 15) consisting of 10 (2024: 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\$2,406,000 (2024: US\$2,620,000), 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 operating leases with its tenants are as follows:

	2025 US\$'000	2024 US\$'000
Within 1 year	2,995	2,945
After 1 year but within 2 years	3,049	3,034
After 2 years but within 3 years	3,048	3,033
After 3 years but within 4 years	508	3,033
After 4 years but within 5 years	–	506
	<u>9,600</u>	<u>12,551</u>
Total	<u>9,600</u>	<u>12,551</u>

## 17. GOODWILL

	US\$'000
At 31 December 2024	
Cost	–
Accumulated impairment	–
Net carrying amount	–
Cost and net carrying amount at 1 January 2025	
Acquisition of subsidiaries (note 32)	2,013
Cost and net carrying amount at 31 December 2025	2,013
At 31 December 2025	
Cost	2,013
Accumulated impairment	–
Net carrying amount	2,013

### Impairment testing of goodwill

Goodwill arose from the acquisition of Meraki Inc. ("Meraki") in July 2025 and has been allocated to Meraki ("Meraki Business").

The recoverable amount of Meraki Business has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 10%. The growth rate used to extrapolate the cash flows of Meraki Business beyond the five-year period is 3%.

Assumptions were used in the value in use calculation of Meraki Business for 31 December 2025. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

*Budgeted gross margins* – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

*Discount rate* – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The value assigned to the key assumptions on market development of Meraki Business, and discount rate are consistent with external information sources. In the opinion of the directors, any reasonably possible changes in the key assumptions on which the recoverable amount is based would not cause Meraki Business carrying amount to exceed its recoverable amount.

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18. INVESTMENT IN A JOINT VENTURE

	2025 US\$'000	2024 US\$'000
Share of net assets	51,569	49,939

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 joint venture are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of			Principal activity
			Ownership interest	Voting power	Profit sharing	
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 a wholly-owned subsidiary 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.

18. INVESTMENT IN A JOINT VENTURE *(continued)*

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:

	2025 US\$'000	2024 US\$'000
Cash and cash equivalents	26,299	26,963
Other current assets	148,132	144,363
Current assets	174,431	171,326
Non-current assets	21,078	19,350
Trade and other payables	(90,266)	(88,760)
Current liabilities	(90,266)	(88,760)
Net assets	105,243	101,916
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	49%	49%
Carrying amount of the investment	51,569	49,939
Revenue	92,969	94,641
Depreciation	(2,307)	(2,403)
Interest expenses	(501)	(839)
Profit and total comprehensive income for the year	3,327	5,179

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19. INVESTMENTS IN ASSOCIATES

	2025 US\$'000	2024 US\$'000
Share of net assets	—	—

The Group's trade receivable balances due from the associates are disclosed in note 22 to the financial statements.

Particulars of the Group's material associate are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activity
Couture Accessories Holding Limited ("CAH")	Ordinary shares	BVI	40	Footwear wholesaling

The Group's shareholding in the associate is held through wholly-owned subsidiary of the Company.

The Group has discontinued the recognition of its share of loss of CAH because the share of loss of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of loss of this associate for the current year and cumulatively were US\$3,227,000 (2024: US\$3,814,000) and US\$16,124,000 (2024: US\$12,897,000), respectively.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	2025 US\$'000	2024 US\$'000
Listed equity investment, at fair value	(a)	2,363	2,363
Listed debt investment, at fair value		13	5
Total		2,376	2,368
Non-current assets		2,363	2,363
Current assets		13	5
Total		2,376	2,368

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

Note:

(a) As at 31 December 2025, the Group holds 1,175,790 (2024: 1,175,790) shares of a company, which was listed on the New York Stock Exchange.

The investments were classified as financial assets at fair value through profit or loss and measured at fair value at initial recognition at the end of the reporting period. During the year ended 31 December 2025, no fair value change was recognised in profit or loss (2024: US\$1,106,000).

## 21. INVENTORIES

	2025 US\$'000	2024 US\$'000
Raw materials	44,863	42,092
Work in progress	67,886	68,682
Finished goods	104,679	92,573
<b>Total</b>	<b>217,428</b>	<b>203,347</b>

## 22. TRADE RECEIVABLES

	2025 US\$'000	2024 US\$'000
Trade receivables	280,305	277,205
Impairment	(46,152)	(42,653)
<b>Net carrying amount</b>	<b>234,153</b>	<b>234,552</b>

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 except for certain overdue trade receivables on selected customers at annual interest rate of 5%.

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22. TRADE RECEIVABLES *(continued)*

Included in the Group's gross trade receivables, there is amount due from an associate of US\$42,108,000 (2024: US\$40,270,000) with a provision for expected credit losses amounting to US\$41,610,000 (2024: US\$40,270,000), which is repayable on credit terms similar to those offered to the major customers of the Group.

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:

	2025 US\$'000	2024 US\$'000
Within 1 month	101,185	112,285
1 to 2 months	86,629	84,535
2 to 3 months	42,130	32,298
3 to 6 months	4,209	5,434
Total	<u>234,153</u>	<u>234,552</u>

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

	2025 US\$'000	2024 US\$'000
At beginning of year	42,653	48,716
Impairment losses, net	2,158	16,013
Amounts written off as uncollectible	–	(22,076)
Exchange realignment	1,341	–
At end of year	<u>46,152</u>	<u>42,653</u>

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.

## 22. 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
<b>As at 31 December 2025</b>				
<i>Class of credit rating</i>				
Class 1 to Class 3	<i>(i) to (iii)</i>	1.31-1.49	235,868	3,096
Class 4	<i>(iv)</i>	98.73	44,437	43,056
<b>Total</b>			<b>280,305</b>	<b>46,152</b>
<b>As at 31 December 2024</b>				
<i>Class of credit rating</i>				
Class 1 to Class 3	<i>(i) to (iii)</i>	1.10-1.20	235,345	2,093
Class 4	<i>(iv)</i>	97.14	41,860	40,560
<b>Total</b>			<b>277,205</b>	<b>42,653</b>

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

*Notes:*

- (i) Class 1 customers maintain active business with the Group and have a good repayment history. The receivables were not yet past due.
- (ii) Class 2 customers have no recent transactions with the Group but have a good repayment history. The receivables were not yet past due.
- (iii) Class 3 customers have past due receivables but the Group expects that those receivables can be recovered.
- (iv) Class 4 customers have past due receivables and the Group expects a higher risk of irrecoverability for those receivables.

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23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2025 US\$'000	2024 US\$'000
Current		
Prepayments	497	559
Deposits	38	152
Other receivables	19,979	20,487
VAT recoverable	16,346	11,627
	<u>36,860</u>	<u>32,825</u>
Loss allowance	(1,035)	(1,035)
	<u>35,825</u>	<u>31,790</u>

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.

Classes of credit rating are defined in note 22 to the financial statements, and the credit risk exposure on the Group's other receivables was as follows:

	Expected credit loss rate %	Gross carrying amount US\$'000	Expected credit losses US\$'000
<b>As at 31 December 2025</b>			
<i>Class of credit rating</i>			
Class 1	5.18	<u>19,979</u>	<u>1,035</u>
<b>As at 31 December 2024</b>			
<i>Class of credit rating</i>			
Class 1	3.94	20,096	792
Class 4	62.15	<u>391</u>	<u>243</u>
Total		<u>20,487</u>	<u>1,035</u>

## 24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	<i>Note</i>	2025 US\$'000	2024 US\$'000
Cash and bank balances		164,756	91,108
Time deposits		214,470	338,234
Subtotal		379,226	429,342
Less: Pledged time deposits	<i>27(b)</i>	(5,953)	(5,795)
Cash and cash equivalents		373,273	423,547

At the end of the reporting period, the Group's cash and bank balances denominated in RMB amounted to US\$60,842,000 (2024: US\$25,200,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and 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 and pledged deposits 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 reporting period, based on the invoice date, is as follows:

	2025 US\$'000	2024 US\$'000
Within 1 month	78,795	75,166
1 to 2 months	11,446	8,296
Over 2 months	6,702	11,642
Total	96,943	95,104

Included in the trade payables are trade payables of US\$38,960,000 (2024: US\$42,634,000) due to a joint venture which are repayable within 90 days, which represents 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.

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26. OTHER PAYABLES AND ACCRUALS

	<i>Note</i>	2025 US\$'000	2024 US\$'000
Other payables	(a)	49,658	52,841
Accruals		82,009	74,792
<b>Total</b>		<b>131,667</b>	<b>127,633</b>

*Note:*

(a) Other payables are non-interest-bearing and have an average credit term of 3 months.

27. INTEREST-BEARING BANK BORROWINGS

	31 December 2025			31 December 2024		
	Effective interest rate (%)	Maturity	US\$'000	Effective interest rate (%)	Maturity	US\$'000
<b>Current</b>						
Bank loans – secured	1.11-5.00	2026	2,324	2.85-5.25	2025	1,319
<b>Non-current</b>						
Bank loans – secured	1.11-5.00	2027-2028	3,510	2.85-5.25	2026-2028	4,552
<b>Total</b>			<b>5,834</b>			<b>5,871</b>

The maturity of the above bank borrowings is as follows:

	2025 US\$'000	2024 US\$'000
Analysed into:		
Bank loans repayable:		
Within one year	2,324	1,319
In the second year	1,110	1,110
In the third to fifth years, inclusive	2,400	3,442
<b>Total</b>	<b>5,834</b>	<b>5,871</b>

*Notes:*

(a) As at 31 December 2025, bank borrowings of US\$1,834,000 (2024: US\$1,871,000) are denominated in NTD and US\$4,000,000 (2024: US\$4,000,000) are denominated in US\$.

(b) The Group's bank borrowings are secured by mortgages over the Group's freehold land, buildings and pledged deposits, which had aggregate carrying values at the end of the reporting period of approximately US\$3,547,000, US\$1,556,000 and US\$5,953,000 (2024: US\$3,387,000, US\$1,520,000 and US\$5,795,000), respectively.

## 28. DEFERRED TAX LIABILITIES

The movements on deferred tax liabilities during the year are as follows:

	Withholding taxes US\$'000
At 1 January 2024	15,951
Deferred tax charged to profit or loss during the year (note 9)	4,246
Reversal upon payment of withholding tax	(1,818)
At 31 December 2024 and 1 January 2025	18,379
Deferred tax charged to profit or loss during the year (note 9)	1,608
At 31 December 2025	19,987

The Group has tax losses arising in Hong Kong of US\$13,917,000 (2024: US\$10,786,000) 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\$28,446,000 (2024: US\$22,186,000) 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.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## 29. SHARE CAPITAL

	2025 US\$'000	2024 US\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.1 each	63,975	63,975
Issued and fully paid:		
839,726,500 (2024: 824,611,500) ordinary shares of HK\$0.1 each	10,742	10,546

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## 29. SHARE CAPITAL *(continued)*

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 2024	795,200,000	10,171
Share options exercised (Note (a))	29,411,500	375
At 31 December 2024 and 1 January 2025	824,611,500	10,546
Share options exercised (Note (b))	15,115,000	196
At 31 December 2025	<u>839,726,500</u>	<u>10,742</u>

*Notes:*

- (a) During the year ended 31 December 2024, the subscription rights attaching to 29,411,500 share options were exercised at the subscription prices of HK\$7.65 to HK\$9.46 per share (note 31), resulting in the issue of 29,411,500 shares for a total cash consideration, before expenses, of US\$33,489,000. Amounts of US\$375,000 and US\$39,629,000 were transferred from the share option reserve to share capital and share premium upon the exercise of the share options.
- (b) During the year ended 31 December 2025, the subscription rights attaching to 15,115,000 share options were exercised at the subscription prices of HK\$7.65 to HK\$9.46 per share (note 31), resulting in the issue of 15,115,000 shares for a total cash consideration, before expenses, of US\$16,845,000. Amounts of US\$196,000 and US\$19,727,000 were transferred from the share option reserve to share capital and share premium upon the exercise of the share options.

## 30. 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 82 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.

## 31. SHARE-BASED PAYMENT TRANSACTIONS

### Long term incentive scheme

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

Pursuant to the terms of the 2007 Scheme, the Company appointed a trustee, Teeroy Limited (the "Trustee"), for the purpose of administering awards of Restricted Unit Awards under the 2007 Scheme. As at 31 December 2025, the Trustee maintained a pool of 1,578,000 (2024: 1,778,000) shares (the "Entrusted Shares") on trust for the Company and it will, at the direction of the Company, transfer, assign or otherwise deal with the Entrusted Shares, provided that no Entrusted Shares may be transferred to the Company unless in compliance with the applicable laws and regulations (including the Code of Share Repurchase) and that the Trustee is not required to exercise the voting rights attaching to the Entrusted Shares.

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

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

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the 2007 Scheme as an equity-settled plan.

At the end of the reporting period, subsequent to the year ended 31 December 2025 and up to the date of approval of these financial statements, the company had no share options outstanding under the 2007 scheme.

### 31. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

#### 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 2025, and up to the date of approval of these financial statements, no shares were purchased and granted under the Share Award Plan.

#### Share option scheme

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

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

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

### 31. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

#### Share option scheme *(continued)*

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.

The exercise price of share options is determinable by the directors, but may not be less than the highest 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.

There are no cash settlement alternatives. The Group does not have a past practice of cash settlement for these share options. The Group accounts for the 2017 Scheme as an equity-settled plan.

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

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

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31 December 2025

## 31. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Share option scheme *(continued)*

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

### April 2020 share options

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2024	Exercised during the prior year	Outstanding as at 31.12.2024	Exercised during the year	Outstanding as at 31.12.2025
Employee	2020-B	15.4.2020	8.71	18.3.2022	18.3.2022 to 5.7.2027	900,000	(564,500)	335,500	(335,500)	-
	2020-C	15.4.2020	8.71	17.3.2023	17.3.2023 to 5.7.2027	900,000	-	900,000	(693,000)	207,000
Total						<u>1,800,000</u>	<u>(564,500)</u>	<u>1,235,500</u>	<u>(1,028,500)</u>	<u>207,000</u>
Exercisable at the end of the year						<u>1,800,000</u>		<u>1,235,500</u>		<u>207,000</u>
Weighted average exercise price (HK\$ per share)*						<u>8.71</u>	<u>8.71</u>	<u>8.71</u>	<u>8.71</u>	<u>8.71</u>

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

During the year ended 31 December 2025, no share option expense was recognised (2024: Nil).

During the year ended 31 December 2025, 1,028,500 (2024: 564,500) share options were exercised, resulting in the issue of 1,028,500 (2024: 564,500) ordinary shares of the Company and an increase in share capital of US\$13,000 (2024: US\$7,000) (before issue expenses), as further detailed in note 29 to the financial statements.

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2025 was HK\$14.71 (2024: US\$14.19) per share.

Subsequent to the year ended 31 December 2025 and up to the date of approval of these financial statements, no share options lapsed or were exercised.

### 31. SHARE-BASED PAYMENT TRANSACTIONS *(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 2020 share options

	Share Options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2024	Exercised during the prior year	Outstanding as at 31.12.2024	Exercised during the year	Outstanding as at 31.12.2025
<b>Directors</b>										
Mr. Chi Lo-Jen	2020-A	26.11.2020	9.15	26.11.2021	26.11.2021 to 25.11.2030	316,500	-	316,500	-	316,500
	2020-B	26.11.2020	9.15	26.11.2022	26.11.2022 to 25.11.2030	316,500	-	316,500	-	316,500
	2020-C	26.11.2020	9.15	26.11.2023	26.11.2023 to 25.11.2030	316,500	-	316,500	-	316,500
Mr. Chiang Yi-Min, Harvey	2020-A	26.11.2020	9.15	26.11.2021	26.11.2021 to 25.11.2030	226,500	-	226,500	-	226,500
	2020-B	26.11.2020	9.15	26.11.2022	26.11.2022 to 25.11.2030	226,500	-	226,500	-	226,500
	2020-C	26.11.2020	9.15	26.11.2023	26.11.2023 to 25.11.2030	226,500	-	226,500	-	226,500
Mr. Gillman Christopher Charles	2020-A	26.11.2020	9.15	26.11.2021	26.11.2021 to 25.11.2030	226,500	-	226,500	(226,500)	-
	2020-B	26.11.2020	9.15	26.11.2022	26.11.2022 to 25.11.2030	226,500	-	226,500	(226,500)	-
	2020-C	26.11.2020	9.15	26.11.2023	26.11.2023 to 25.11.2030	226,500	-	226,500	(226,500)	-
						<u>2,308,500</u>	<u>-</u>	<u>2,308,500</u>	<u>(679,500)</u>	<u>1,629,000</u>
<b>Employees</b>										
	2020-A	26.11.2020	9.15	26.11.2021	26.11.2021 to 25.11.2030	3,391,000	(2,664,000)	727,000	(327,000)	400,000
	2020-B	26.11.2020	9.15	26.11.2022	26.11.2022 to 25.11.2030	3,391,000	(2,450,500)	940,500	(377,500)	563,000
	2020-C	26.11.2020	9.15	26.11.2023	26.11.2023 to 25.11.2030	3,527,500	(2,472,000)	1,055,500	(468,000)	587,500
						<u>10,309,500</u>	<u>(7,586,500)</u>	<u>2,723,000</u>	<u>(1,172,500)</u>	<u>1,550,500</u>
<b>Total</b>						<u>12,618,000</u>	<u>(7,586,500)</u>	<u>5,031,500</u>	<u>(1,852,000)</u>	<u>3,179,500</u>
Exercisable at the end of the year						<u>12,618,000</u>		<u>5,031,500</u>		<u>3,179,500</u>
Weighted average exercise price (HK\$ per share)*						<u>9.15</u>	<u>9.15</u>	<u>9.15</u>	<u>9.15</u>	<u>9.15</u>

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

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### 31. SHARE-BASED PAYMENT TRANSACTIONS *(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 2020 share options *(continued)*

During the year ended 31 December 2025, no share option expense was recognised (2024: Nil).

During the year ended 31 December 2025, 1,852,000 (2024: 7,586,500) share options were exercised resulting in the issue of 1,852,000 (2024: 7,586,500) ordinary shares of the Company and an increase in share capital of US\$24,000 (2024: US\$97,000) (before issue expenses), as further detailed in note 29 to the financial statements.

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2025 was HK\$16.79 (2024: HK\$13.45) per share.

Subsequent to the year ended 31 December 2025 and up to the date of approval of these financial statements, no share options lapsed or were exercised.

### 31. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

#### Share option scheme *(continued)*

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

#### March 2021 share options

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2024	Exercised during the prior year	Outstanding as at 31.12.2024	Exercised during the year	Outstanding as at 31.12.2025
<b>Directors:</b>										
Mr. Chi Lo-Jen	2021-A	19.3.2021	9.46	19.3.2022	19.3.2022 to 18.3.2031	500,000	-	500,000	-	500,000
	2021-B	19.3.2021	9.46	19.3.2023	19.3.2023 to 18.3.2031	500,000	-	500,000	-	500,000
	2021-C	19.3.2021	9.46	19.3.2024	19.3.2024 to 18.3.2031	500,000	-	500,000	-	500,000
Mr. Chiang Yi-Min, Harvey	2021-A	19.3.2021	9.46	19.3.2022	19.3.2022 to 18.3.2031	400,000	-	400,000	-	400,000
	2021-B	19.3.2021	9.46	19.3.2023	19.3.2023 to 18.3.2031	400,000	-	400,000	-	400,000
	2021-C	19.3.2021	9.46	19.3.2024	19.3.2024 to 18.3.2031	400,000	-	400,000	-	400,000
Mr. Gillman Christopher Charles	2021-A	19.3.2021	9.46	19.3.2022	19.3.2022 to 18.3.2031	150,000	-	150,000	(150,000)	-
	2021-B	19.3.2021	9.46	19.3.2023	19.3.2023 to 18.3.2031	150,000	-	150,000	(150,000)	-
	2021-C	19.3.2021	9.46	19.3.2024	19.3.2024 to 18.3.2031	150,000	-	150,000	(150,000)	-
						<u>3,150,000</u>	<u>-</u>	<u>3,150,000</u>	<u>(450,000)</u>	<u>2,700,000</u>
<b>Employees</b>										
Employees	2021-A	19.3.2021	9.46	19.3.2022	19.3.2022 to 18.3.2031	4,440,000	(3,445,000)	995,000	(110,000)	885,000
	2021-B	19.3.2021	9.46	19.3.2023	19.3.2023 to 18.3.2031	4,440,000	(3,212,000)	1,228,000	(343,000)	885,000
	2021-C	19.3.2021	9.46	19.3.2024	19.3.2024 to 18.3.2031	4,560,000	(2,820,500)	1,739,500	(804,500)	935,000
						<u>13,440,000</u>	<u>(9,477,500)</u>	<u>3,962,500</u>	<u>(1,257,500)</u>	<u>2,705,000</u>
Total						<u>16,590,000</u>	<u>(9,477,500)</u>	<u>7,112,500</u>	<u>(1,707,500)</u>	<u>5,405,000</u>
Exercisable at the end of the year						<u>16,590,000</u>		<u>7,112,500</u>		<u>5,405,000</u>
Weighted average exercise price (HK\$ per share)*						<u>9.46</u>	<u>9.46</u>	<u>9.46</u>	<u>9.46</u>	<u>9.46</u>

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

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### 31. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Share option scheme *(continued)*

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

**March 2021 share options** *(continued)*

During the year ended 31 December 2025, no share option expense was recognised (2024: US\$97,000).

During the year ended 31 December 2025, 1,707,500 (2024: 9,477,500) share options were exercised, resulting in the issue of 1,707,500 (2024: 9,477,500) ordinary shares of the Company and an increase in share capital of US\$22,000 (2024: US\$122,000) (before issue expenses), as further detailed in note 29 to the financial statements.

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2025 was HK\$16.58 (2024: HK\$14.23) per share.

Subsequent to the year ended 31 December 2025 and up to the date of approval of these financial statements, no share options lapsed or were exercised.

### 31. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

#### Share option scheme *(continued)*

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

#### January 2022 share options

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2024	Exercised during the prior year	Forfeited/ lapsed during the prior year	Outstanding as at 31.12.2024	Exercised during the year	Forfeited/ lapsed during the year	Outstanding as at 31.12.2025
Directors:												
	Mr. Chi Lo-Jen	2022-A	3.1.2022	9.10	3.1.2023 to 2.1.2032	500,000	-	-	500,000	-	-	500,000
		2022-B	3.1.2022	9.10	3.1.2024 to 2.1.2032	500,000	-	-	500,000	-	-	500,000
		2022-C	3.1.2022	9.10	3.1.2025 to 2.1.2032	500,000	-	-	500,000	-	-	500,000
	Mr. Chiang Yi-Min, Harvey	2022-A	3.1.2022	9.10	3.1.2023 to 2.1.2032	400,000	-	-	400,000	-	-	400,000
		2022-B	3.1.2022	9.10	3.1.2024 to 2.1.2032	400,000	-	-	400,000	-	-	400,000
		2022-C	3.1.2022	9.10	3.1.2025 to 2.1.2032	400,000	-	-	400,000	-	-	400,000
	Mr. Gillman Christopher Charles	2022-A	3.1.2022	9.10	3.1.2023 to 2.1.2032	150,000	-	-	150,000	-	-	150,000
		2022-B	3.1.2022	9.10	3.1.2024 to 2.1.2032	150,000	-	-	150,000	-	-	150,000
		2022-C	3.1.2022	9.10	3.1.2025 to 2.1.2032	150,000	-	-	150,000	-	-	150,000
						<u>3,150,000</u>	<u>-</u>	<u>-</u>	<u>3,150,000</u>	<u>-</u>	<u>-</u>	<u>3,150,000</u>
Employees												
		2022-A	3.1.2022	9.10	3.1.2023 to 2.1.2032	4,600,000	(3,098,000)	-	1,502,000	(927,000)	(30,000)	545,000
		2022-B	3.1.2022	9.10	3.1.2024 to 2.1.2032	4,860,000	(2,885,000)	-	1,975,000	(905,000)	(30,000)	1,040,000
		2022-C	3.1.2022	9.10	3.1.2025 to 2.1.2032	4,860,000	-	(40,000)	4,820,000	(3,105,000)	(30,000)	1,685,000
						<u>14,320,000</u>	<u>(5,983,000)</u>	<u>(40,000)</u>	<u>8,297,000</u>	<u>(4,937,000)</u>	<u>(90,000)</u>	<u>3,270,000</u>
Consultant providing consultancy services to the Group												
		2022-A	3.1.2022	9.10	3.1.2023 to 2.1.2032	15,000	(15,000)	-	-	-	-	-
		2022-B	3.1.2022	9.10	3.1.2024 to 2.1.2032	15,000	(15,000)	-	-	-	-	-
		2022-C	3.1.2022	9.10	3.1.2025 to 2.1.2032	15,000	-	-	15,000	(15,000)	-	-
						<u>45,000</u>	<u>(30,000)</u>	<u>-</u>	<u>15,000</u>	<u>(15,000)</u>	<u>-</u>	<u>-</u>
Total						<u>17,515,000</u>	<u>(6,013,000)</u>	<u>(40,000)</u>	<u>11,462,000</u>	<u>(4,952,000)</u>	<u>(90,000)</u>	<u>6,420,000</u>
Exercisable at the end of the year						<u>17,515,000</u>			<u>11,462,000</u>			<u>6,420,000</u>
Weighted average exercise price (HK\$ per share)*						<u>9.10</u>	<u>9.10</u>	<u>9.10</u>	<u>9.10</u>	<u>9.10</u>	<u>9.10</u>	<u>9.10</u>

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

## NOTES TO FINANCIAL STATEMENTS

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### 31. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

#### Share option scheme *(continued)*

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

#### January 2022 share options *(continued)*

During the year ended 31 December 2025, the Company recognised a share option expense of US\$6,000 (2024: US\$676,000).

During the year ended 31 December 2025, 4,952,000 (2024: 6,013,000) share options were exercised, resulting in the issue of 4,952,000 (2024: 6,013,000) ordinary shares of the Company and an increase in share capital of US\$63,000 (2024: US\$76,000) (before issue expenses), as further detailed in note 29 to the financial statements.

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2025 was HK\$16.26 (2024: HK\$13.46) per share.

Subsequent to the year ended 31 December 2025 and up to the date of approval of these financial statements, no share options lapsed or were exercised.

### 31. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

#### Share option scheme *(continued)*

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

#### March 2023 share options

	Share options	Date of grant	Exercise price HK\$	Vesting date	Exercise period	Outstanding as at 1.1.2024	Exercised during the prior year	Forfeited/ lapsed during the prior year	Outstanding as at 31.12.2024	Exercised during the year	Forfeited/ lapsed during the year	Outstanding as at 31.12.2025
Directors:												
	Mr. Chi Lo-Jen	2023-A	17.3.2023	7.65	17.3.2024 to 16.3.2033	500,000	(500,000)	-	-	-	-	-
		2023-B	17.3.2023	7.65	17.3.2025 to 16.3.2033	500,000	-	-	500,000	(500,000)	-	-
		2023-C	17.3.2023	7.65	17.3.2026 to 16.3.2033	500,000	-	-	500,000	-	-	500,000
	Mr. Chiang Yi-Min, Harvey	2023-A	17.3.2023	7.65	17.3.2024 to 16.3.2033	400,000	(400,000)	-	-	-	-	-
		2023-B	17.3.2023	7.65	17.3.2025 to 16.3.2033	400,000	-	-	400,000	(400,000)	-	-
		2023-C	17.3.2023	7.65	17.3.2026 to 16.3.2033	400,000	-	-	400,000	-	-	400,000
	Mr. Gillman Christopher Charles	2023-A	17.3.2023	7.65	17.3.2024 to 16.3.2033	150,000	-	-	150,000	-	-	150,000
		2023-B	17.3.2023	7.65	17.3.2025 to 16.3.2033	150,000	-	-	150,000	-	-	150,000
		2023-C	17.3.2023	7.65	17.3.2026 to 16.3.2033	150,000	-	-	150,000	-	-	150,000
						<u>3,150,000</u>	<u>(900,000)</u>	<u>-</u>	<u>2,250,000</u>	<u>(900,000)</u>	<u>-</u>	<u>1,350,000</u>
	Employees	2023-A	17.3.2023	7.65	17.3.2024 to 16.3.2033	5,390,000	(4,870,000)	(20,000)	500,000	(215,000)	-	285,000
		2023-B	17.3.2023	7.65	17.3.2025 to 16.3.2033	5,390,000	-	(75,000)	5,315,000	(4,460,000)	(55,000)	800,000
		2023-C	17.3.2023	7.65	17.3.2026 to 16.3.2033	5,730,000	-	(85,000)	5,645,000	-	(155,000)	5,490,000
						<u>16,510,000</u>	<u>(4,870,000)</u>	<u>(180,000)</u>	<u>11,460,000</u>	<u>(4,675,000)</u>	<u>(210,000)</u>	<u>6,575,000</u>
	Total					<u>19,660,000</u>	<u>(5,770,000)</u>	<u>(180,000)</u>	<u>13,710,000</u>	<u>(5,575,000)</u>	<u>(210,000)</u>	<u>7,925,000</u>
	Exercisable at the end of the year					<u>19,660,000</u>			<u>13,710,000</u>			<u>7,925,000</u>
	Weighted average exercise price (HK\$ per share)*					<u>7.65</u>	<u>7.65</u>	<u>7.65</u>	<u>7.65</u>	<u>7.65</u>	<u>7.65</u>	<u>7.65</u>

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

## NOTES TO FINANCIAL STATEMENTS

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### 31. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

#### Share option scheme *(continued)*

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

#### March 2023 share options *(continued)*

During the year ended 31 December 2025, the Company recognised a share option expense of US\$272,000 (2024: US\$704,000).

During the year ended 31 December 2025, 5,575,000 (2024: 5,770,000) share options were exercised, resulting in the issue of 5,575,000 (2024: 5,770,000) ordinary shares of the Company and an increase in share capital of US\$71,000 (2024: US\$73,000) (before issue expenses), as further detailed in note 29 to the financial statements.

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2025 was HK\$16.10 (2024: HK\$13.67) per share.

Subsequent to the year ended 31 December 2025 and up to the date of approval of these financial statements, no share options lapsed and 140,000 share options were exercised.

### 31. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

#### Share option scheme *(continued)*

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

#### 2025

	Exercise Price HK\$	Outstanding as at 1.1.2025	Granted during the year	Exercised during the year	Forfeited/ lapsed during the year	Outstanding as at 31.12.2025	Exercised during the period <sup>^</sup>	Forfeited/ lapsed during the period <sup>^</sup>	At the date of approval of these financial statements
2017 Scheme									
- April 2020 share options	8.71	1,235,500	-	(1,028,500)	-	207,000	-	-	207,000
- November 2020 share options	9.15	5,031,500	-	(1,852,000)	-	3,179,500	-	-	3,179,500
- March 2021 share options	9.46	7,112,500	-	(1,707,500)	-	5,405,000	-	-	5,405,000
- January 2022 share options	9.10	11,462,000	-	(4,952,000)	(90,000)	6,420,000	-	-	6,420,000
- March 2023 share options	7.65	13,710,000	-	(5,575,000)	(210,000)	7,925,000	(140,000)	-	7,785,000
		<u>38,551,500</u>	<u>-</u>	<u>(15,115,000)</u>	<u>(300,000)</u>	<u>23,136,500</u>	<u>(140,000)</u>	<u>-</u>	<u>22,996,500</u>

<sup>^</sup> Period from 1 January 2026 to the date of approval of these financial statements

#### 2024

	Exercise Price HK\$	Outstanding as at 1.1.2024	Granted during the prior year	Exercised during the prior year	Forfeited/ lapsed during the prior year	Outstanding as at 31.12.2024
2017 Scheme						
- April 2020 share options	8.71	1,800,000	-	(564,500)	-	1,235,500
- November 2020 share options	9.15	12,618,000	-	(7,586,500)	-	5,031,500
- March 2021 share options	9.46	16,590,000	-	(9,477,500)	-	7,112,500
- January 2022 share options	9.10	17,515,000	-	(6,013,000)	(40,000)	11,462,000
- March 2023 share options	7.65	19,660,000	-	(5,770,000)	(180,000)	13,710,000
		<u>68,183,000</u>	<u>-</u>	<u>(29,411,500)</u>	<u>(220,000)</u>	<u>38,551,500</u>

At the end of the reporting period, the Company had 23,136,500 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 23,136,500 additional ordinary shares of the Company and additional share capital of US\$298,000 and share premium of US\$25,593,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 22,996,500 share options outstanding under the 2017 Scheme, which represented approximately 2.75% of the Company's shares in issue as at that date.

# NOTES TO FINANCIAL STATEMENTS

31 December 2025

## 32. BUSINESS COMBINATION

### Acquisition of subsidiaries

On 21 July 2025, the Group acquired 100% interests in Meraki from independent third parties. Meraki is engaged in the manufacture of handbag products. 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\$4,500,000 paid at the acquisition date of Meraki and the remaining US\$500,000 to be paid on 21 July 2026.

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

	Fair value recognised on acquisition US\$'000
Property, plant and equipment	239
Inventories	3,526
Trade and other receivables	6,760
Tax receivables	869
Cash and cash equivalents	872
Trade and other payables	(2,812)
Amounts due to related companies	(6,467)
	<hr/>
Total identifiable net assets at fair value	2,987
	<hr/>
Goodwill on acquisition	2,013
	<hr/>
Satisfied by cash	5,000
	<hr/>

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to US\$6,596,000 and US\$164,000, respectively. The gross contractual amounts of trade receivables and other receivables were US\$6,596,000 and US\$164,000, respectively, of which none are expected to be uncollectible.

The Group incurred transaction costs of US\$76,860 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

### 32. BUSINESS COMBINATION *(continued)*

#### Acquisition of subsidiaries *(continued)*

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

	US\$'000
Cash consideration paid	(4,500)
Cash and cash equivalents acquired	872
Net outflow of cash and cash equivalents included in cash flows from investing activities	(3,628)
Transaction costs of the acquisition included in cash flows from operating activities	(77)
Total net cash outflow	(3,705)

Since the acquisition, Meraki contributed US\$6,504,000 to the Group's revenue and US\$279,000 to the consolidated loss for the year ended 31 December 2025.

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 US\$1,577,424,000 and US\$137,308,000, respectively.

### 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of US\$7,638,000 (2024: US\$1,014,000) and US\$7,638,000 (2024: US\$1,014,000), respectively, in respect of lease arrangements for offices and factories.

#### (b) Changes in liabilities arising from financing activities: 2025

	Lease liabilities US\$'000	Bank loans US\$'000
At 1 January 2025	6,127	5,871
Changes from financing cash flows	(3,265)	(559)
New leases	7,638	–
Interest expense	308	444
Interest expense classified as operating cash flows	(308)	–
Foreign exchange movement	–	78
At 31 December 2025	10,500	5,834

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FINANCIAL STATEMENTS

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

(b) Changes in liabilities arising from financing activities: *(continued)*

2024

	Lease liabilities US\$'000	Bank loans US\$'000
At 1 January 2024	8,134	7,110
Changes from financing cash flows	(3,021)	(1,528)
New leases	1,014	–
Interest expense	317	417
Interest expense classified as operating cash flows	(317)	–
Foreign exchange movement	–	(128)
	<u>6,127</u>	<u>5,871</u>
At 31 December 2024	<u>6,127</u>	<u>5,871</u>

(c) Total cash outflow for leases

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

	2025 US\$'000	2024 US\$'000
Within operating activities	601	893
Within financing activities	3,265	3,021
	<u>3,866</u>	<u>3,914</u>
Total	<u>3,866</u>	<u>3,914</u>

### 34. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank borrowings are included in notes 14, 24 and 27 to the financial statements.

### 35. COMMITMENTS

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

	2025 US\$'000	2024 US\$'000
Plant and equipment	25,513	11,966
Leasehold land	956	993
Total	<u>26,469</u>	<u>12,959</u>

### 36. RELATED PARTY TRANSACTIONS

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

	<i>Notes</i>	2025 US\$'000	2024 US\$'000
Associate:			
Sales of products	<i>(i)</i>	<u>625</u>	<u>2,459</u>
Joint venture:			
Purchases of products	<i>(ii)</i>	<u>92,105</u>	<u>93,670</u>

# NOTES TO FINANCIAL STATEMENTS

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## 36. RELATED PARTY TRANSACTIONS *(continued)*

(a) *(continued)*

Notes:

- (i) The sales to the associate were made according to the published prices and conditions offered to the major customers of the Group, except that a longer credit period of up to 6 months is normally granted. Regarding the sales of footwear products amounting to US\$2,459,000 for the year ended 31 December 2024, they were exempted from all requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules. Regarding the sales of footwear products amounting to US\$625,000 for the year ended 31 December 2025, they were exempted from all requirements applicable to continuing connected transactions under Chapter 14A of the Listing Rules.
- (ii) The purchases from the joint venture were made according to the published prices and conditions offered by the joint venture to their major customers.

(b) Outstanding balances with related parties

Details of the Group's trade balances with its joint venture and associate as at the end of the reporting period are disclosed in notes 22 and 25 to the financial statements.

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

	2025 US\$'000	2024 US\$'000
Short term employee benefits	2,609	2,835
Post-employment benefits	19	13
Equity-settled share option expense	–	268
Total compensation paid to key management personnel	<u>2,628</u>	<u>3,116</u>

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

### 37. 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:

2025

#### 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	–	234,153	234,153
Financial assets included in prepayments, deposits and other receivables	–	18,945	18,945
Financial assets at fair value through profit or loss	2,376	–	2,376
Pledged deposits	–	5,953	5,953
Cash and cash equivalents	–	373,273	373,273
<b>Total</b>	<b>2,376</b>	<b>632,324</b>	<b>634,700</b>

#### Financial liabilities

	Financial liabilities at amortised cost US\$'000
Trade payables	96,943
Financial liabilities included in other payables and accruals	40,061
Lease liabilities	10,500
Interest-bearing bank borrowings	5,834
<b>Total</b>	<b>153,338</b>

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37. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2024

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	–	234,552	234,552
Financial assets included in prepayments, deposits and other receivables	–	19,452	19,452
Financial assets at fair value through profit or loss	2,368	–	2,368
Pledged deposits	–	5,795	5,795
Cash and cash equivalents	–	423,547	423,547
Total	<u>2,368</u>	<u>683,346</u>	<u>685,714</u>

Financial liabilities

	Financial liabilities at amortised cost US\$'000
Trade payables	95,104
Financial liabilities included in other payables and accruals	35,869
Lease liabilities	6,127
Interest-bearing bank borrowings	<u>5,871</u>
Total	<u>142,971</u>

### 38. 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	
	2025 US\$'000	2024 US\$'000	2025 US\$'000	2024 US\$'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	2,376	2,368	2,376	2,368
Pledged deposits	5,953	5,795	5,356	5,023
	<u>8,329</u>	<u>8,163</u>	<u>7,732</u>	<u>7,391</u>
<b>Financial liabilities</b>				
Interest-bearing bank borrowings (note 27)	5,834	5,871	5,634	5,658

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 approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer, executive directors and the Audit Committee.

At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the Audit Committee twice a year for interim and annual financial reporting.

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

The fair values of the non-current portion of pledged deposits and 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 2025 were assessed to be insignificant.

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

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FINANCIAL STATEMENTS

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38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

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

Assets measured at fair value:

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
As at 31 December 2025				
Financial assets at fair value through profit or loss	2,376	–	–	2,376
As at 31 December 2024				
Financial assets at fair value through profit or loss	2,368	–	–	2,368

The Group did not have any financial liabilities measured at fair value as at 31 December 2024 and 2025.

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 for financial liabilities (2024: Nil).

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Assets for which fair values are disclosed:

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
As at 31 December 2025				
Pledged deposits	—	5,356	—	5,356
As at 31 December 2024				
Pledged deposits	—	5,023	—	5,023

Liabilities for which fair values are disclosed:

	Fair value measurement using			Total US\$'000
	Quoted prices in active markets (Level 1) US\$'000	Significant observable inputs (Level 2) US\$'000	Significant unobservable inputs (Level 3) US\$'000	
As at 31 December 2025				
Interest-bearing bank borrowings	—	5,634	—	5,634
As at 31 December 2024				
Interest-bearing bank borrowings	—	5,658	—	5,658

# NOTES TO FINANCIAL STATEMENTS

31 December 2025

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instrument comprises cash and cash equivalents, pledged deposits 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, other 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.

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	
		2025 US\$'000	2024 US\$'000
RMB	25	152	63
HK\$	25	8	25
EUR	25	2	26
IDR	25	10	7
Vietnamese Dong ("VND")	25	11	6
NTD	25	(3)	(4)
RMB	(5)	(30)	(13)
HK\$	(5)	(2)	(5)
EUR	(5)	–	(5)
IDR	(5)	(2)	(1)
VND	(5)	(2)	(1)
NTD	(5)	1	1

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

#### 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 91% (2024: 92%) of the Group's sales were denominated in currencies other than the functional currencies of the operating units making the sale, while approximately 91% (2024: 87%) of costs were denominated in the units' functional currencies. The Group currently does not have a foreign exchange hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the foreign currency exchange rates, 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
<b>2025</b>		
If US\$ weakens against RMB	5	3,117
If US\$ strengthens against RMB	(5)	(3,117)
If US\$ weakens against EUR	5	223
If US\$ strengthens against EUR	(5)	(223)
If US\$ weakens against MOP	5	777
If US\$ strengthens against MOP	(5)	(777)
If US\$ weakens against IDR	5	195
If US\$ strengthens against IDR	(5)	(195)
If US\$ weakens against VND	5	282
If US\$ strengthens against VND	(5)	(282)
<b>2024</b>		
If US\$ weakens against RMB	5	526
If US\$ strengthens against RMB	(5)	(526)
If US\$ weakens against EUR	5	637
If US\$ strengthens against EUR	(5)	(637)
If US\$ weakens against MOP	5	735
If US\$ strengthens against MOP	(5)	(735)
If US\$ weakens against IDR	5	94
If US\$ strengthens against IDR	(5)	(94)
If US\$ weakens against VND	5	167
If US\$ strengthens against VND	(5)	(167)

# NOTES TO FINANCIAL STATEMENTS

31 December 2025

## 39. 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 tables below show 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.

As at 31 December 2025

	12-month	Lifetime ECLs			Total
	ECLs	ECLs			
	Stage 1	Stage 2	Stage 3	Simplified	
	US\$'000	US\$'000	US\$'000	approach	US\$'000
				US\$'000	
Trade receivables*	–	–	–	280,305	280,305
Financial assets included in prepayments, deposits and other receivables					
– Normal**	18,945	–	–	–	18,945
Pledged deposits					
– Not yet past due	5,953	–	–	–	5,953
Cash and cash equivalents					
– Not yet past due	373,273	–	–	–	373,273
<b>Total</b>	<b>398,171</b>	<b>–</b>	<b>–</b>	<b>280,305</b>	<b>678,476</b>

### 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Maximum exposure and year-end staging *(continued)*

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			Simplified approach US\$'000	Total US\$'000
	Stage 1 US\$'000	Stage 2 US\$'000	Stage 3 US\$'000			
	US\$'000	US\$'000	US\$'000			
Trade receivables*	–	–	–	277,205	277,205	
Financial assets included in prepayments, deposits and other receivables						
– Normal**	20,096	–	391	–	20,487	
Pledged deposits						
– Not yet past due	5,795	–	–	–	5,795	
Cash and cash equivalents						
– Not yet past due	423,547	–	–	–	423,547	
<b>Total</b>	<b>449,438</b>	<b>–</b>	<b>391</b>	<b>277,205</b>	<b>727,034</b>	

\* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the financial statements.

\*\* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

NOTES TO  
FINANCIAL STATEMENTS

31 December 2025

39. 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:

	2025			Total US\$'000
	On demand or no later than 1 year US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	
Trade payables	96,943	–	–	96,943
Other payables	40,061	–	–	40,061
Interest-bearing bank borrowings	2,411	4,647	–	7,058
Lease liabilities	3,574	7,620	1,631	12,825
<b>Total</b>	<b>142,989</b>	<b>12,267</b>	<b>1,631</b>	<b>156,887</b>

	2024			Total US\$'000
	On demand or no later than 1 year US\$'000	1 to 5 years US\$'000	Over 5 years US\$'000	
Trade payables	95,104	–	–	95,104
Other payables	35,869	–	–	35,869
Interest-bearing bank borrowings	1,436	4,732	–	6,168
Lease liabilities	2,870	5,265	–	8,135
<b>Total</b>	<b>135,279</b>	<b>9,997</b>	<b>–</b>	<b>145,276</b>

### 39. 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 2025 and 2024.

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 2025 and 2024, the Group had a net cash position. The gearing ratios as at the end of the reporting periods were as follows:

	2025 US\$'000	2024 US\$'000
Net cash over debt	367,439	417,676
Equity	1,096,451	1,102,216
Gearing ratio	N/A	N/A

NOTES TO  
FINANCIAL STATEMENTS

31 December 2025

40. 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:

	2025 US\$'000	2024 US\$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	680,552	680,527
CURRENT ASSETS		
Due from subsidiaries	773,307	735,867
Deposits and other receivables	9	17
Cash and cash equivalents	2,612	6,781
Total current assets	775,928	742,665
CURRENT LIABILITIES		
Other payables	693	795
Due to subsidiaries	411,423	423,024
Total current liabilities	412,116	423,819
NET CURRENT ASSETS	363,812	318,846
Net assets	1,044,364	999,373
EQUITY		
Share capital	10,742	10,546
Reserves (Note)	1,033,622	988,827
Total equity	1,044,364	999,373

Chen Li-Ming, Lawrence  
*Director*

Chi Lo-Jen  
*Director*

40. STATEMENT OF THE FINANCIAL POSITION OF THE COMPANY *(continued)*

*Note:*

A summary of the Company's reserves is as follows:

	Share premium 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 2024	157,984	1,146	(2,722)	190	12,736	530,465	291,782	991,581
Total comprehensive income for the year	-	-	-	-	-	-	94,237	94,237
Equity-settled share option arrangements	-	-	-	-	1,477	-	-	1,477
Issue of shares upon exercise of share options	39,629	-	-	-	(6,515)	-	-	33,114
Final 2023 dividend	-	-	-	-	-	-	(63,415)	(63,415)
Interim 2024 dividend	-	-	-	-	-	-	(68,167)	(68,167)
As at 31 December 2024 and 1 January 2025	197,613	1,146	(2,722)	190	7,698	530,465	254,437	988,827
Total comprehensive income for the year	-	-	-	-	-	-	197,051	197,051
Equity-settled share option arrangements	-	-	-	-	278	-	-	278
Issue of shares upon exercise of share options	19,727	-	-	-	(3,078)	-	-	16,649
Final 2024 dividend	-	-	-	-	-	-	(53,390)	(53,390)
Special 2024 dividend	-	-	-	-	-	-	(59,796)	(59,796)
Interim 2025 dividend	-	-	-	-	-	-	(55,997)	(55,997)
As at 31 December 2025	217,340	1,146	(2,722)	190	4,898	530,465	282,305	1,033,622

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 19 March 2026.

# FINANCIAL SUMMARY

	For the year ended 31 December				2025 US\$'000
	2021 US\$'000	2022 US\$'000	2023 US\$'000	2024 US\$'000	
<b>RESULTS</b>					
Revenue	1,540,608	1,630,771	1,492,651	1,545,114	1,570,237
Profit for the year	90,838	117,187	140,255	170,134	137,029
Attributable to:					
Equity owners of the Company	89,694	118,033	141,072	171,049	137,987
Non-controlling interests	1,144	(846)	(817)	(915)	(958)
	90,838	117,187	140,255	170,134	137,029
<b>ASSETS AND LIABILITIES</b>					
	As at 31 December				2025 US\$'000
	2021 US\$'000	2022 US\$'000	2023 US\$'000	2024 US\$'000	
Total assets	1,298,208	1,258,083	1,359,701	1,423,366	1,440,052
Total liabilities	(281,487)	(242,134)	(292,237)	(305,827)	(329,609)
Shareholders' funds	1,016,721	1,015,949	1,067,464	1,117,539	1,110,443

# CORPORATE INFORMATION AND FINANCIAL CALENDAR 2025/2026

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent Non-Executive Directors

BOLLIGER Peter  
CHAN Fu Keung, William, *BBS*  
YUE Chao-Tang, Thomas  
WAN Sin Yee, Sindy  
MA Hui-Fan, Connie

## AUDIT COMMITTEE

YUE Chao-Tang, Thomas, *Chairman*  
CHAN Fu Keung, William, *BBS*  
WAN Sin Yee, Sindy

## CORPORATE GOVERNANCE COMMITTEE

BOLLIGER Peter, *Chairman*  
CHAN Fu Keung, William, *BBS*  
YUE Chao-Tang, Thomas  
MA Hui-Fan, Connie

## EXECUTIVE COMMITTEE

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

## NOMINATION COMMITTEE

WAN Sin Yee, Sindy, *Chairman*  
BOLLIGER Peter  
CHAN Fu Keung, William, *BBS*  
YUE Chao-Tang, Thomas  
MA Hui-Fan, Connie

## REMUNERATION COMMITTEE

CHAN Fu Keung, William, *BBS, Chairman*  
YUE Chao-Tang, Thomas  
WAN Sin Yee, Sindy  
MA Hui-Fan, Connie

## 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 under the  
Accounting and Financial Reporting Council Ordinance  
27/F, One Taikoo Place  
979 King's Road  
Quarry Bay, Hong Kong

## PRINCIPAL BANKERS

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

## REGISTERED OFFICE

Cricket Square, Hutchins Drive, P.O. Box 2681  
Grand Cayman KY1-1111, Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat C, 20/F, MG Tower  
133 Hoi Bun Road  
Kowloon, Hong Kong

## STOCK CODE

1836

## WEBSITE

[www.stella.com.hk](http://www.stella.com.hk)

## CORPORATE INFORMATION AND FINANCIAL CALENDAR 2025/2026

### FINANCIAL CALENDAR 2025/2026

2025 Annual Results Announcement	19 March 2026
Closure of Register of Members	11 May 2026 to 14 May 2026
Annual General Meeting	14 May 2026
Payment of Final Dividend	5 June 2026
2026 Interim Results Announcement	On or about 20 August 2026

In the event of inconsistency, the English version shall prevail over the Chinese version.

This Annual Report is printed on environmentally friendly paper from sustainably managed forests and controlled sources

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

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 1836)

*\* for identification purpose only*