Stella International Holdings Limited

Stock Code: 1836

Annual Report 2010

Mission Statement

Our Core Values

Stella International Holdings Limited ("Stella" or the "Company") is dedicated to providing its customers with a wide range of top quality and high-end footwear. We are customer-driven and passionate about our business, and conscious of providing the best quality in everything we present to our customers. In addition to promoting these core values, the management philosophy of the Company is to be fair, caring and respectful.

Our Mission: To Make the BEST Shoes

Always seeking to fulfill our promise of delivering outstanding and unique footwear, 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 footwear products and associated services, contributing to an **efficient and superior supply chain**.

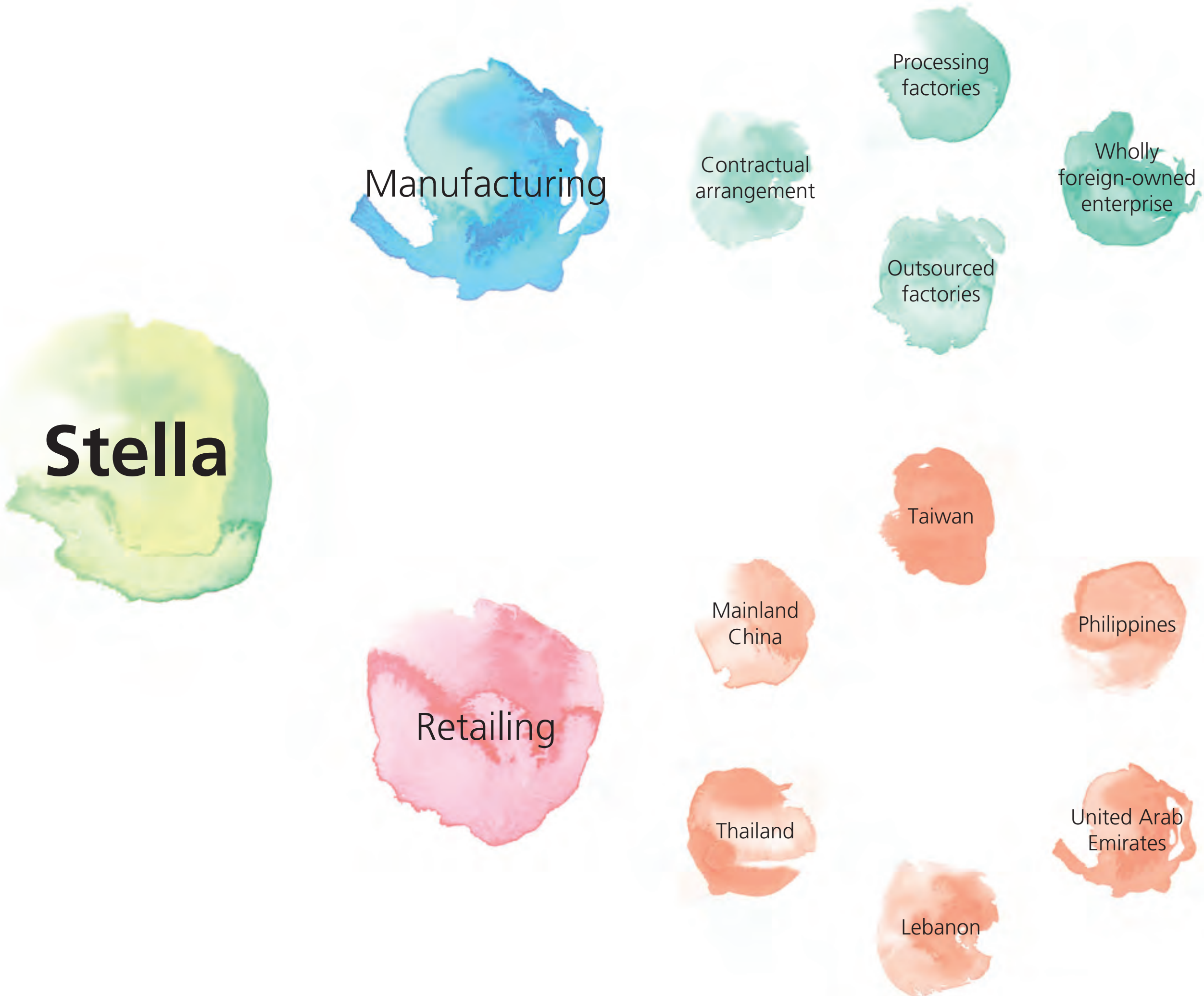
- By being close to our customers we fulfill their needs with **innovative, cost effective and high quality solutions**. Through **empathy, responsiveness** and **dependability** we seek to earn their loyalty.

- 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 achieve growth and increased value for our customers, employees and shareholders.

Contents

Corporate Structure



Corporate Profile

Stella is a leading developer and manufacturer of quality footwear products and was listed on The Stock Exchange of Hong Kong Limited on 6 July 2007. While making casual, fashion and private label footwear for our customers and brand owners, we also offer them a one-stop shop that combines the elements of design, development and manufacturing.

Since 1982, Stella has developed strong working relationships with many of the world's top brand names to produce quality shoes. Its impressive client base includes six of the world's top ten casual footwear companies, namely, Clarks, Deckers, ECCO, Rockport, Timberland and Wolverine, as well as leading companies in fashion footwear, such as Cole Haan, Kenneth Cole, Guess and Nine West.

The Company also designs, develops and manufactures footwear for several high-fashion brands such as Celine, Donna Karan New York, Emilio Pucci, Givenchy, Loewe, Marc by Marc Jacobs, Guess, Marciano, Alejandro Ingelmo, Paul Smith, Sigerson Morrison, Alexander Wang and Via Spiga.

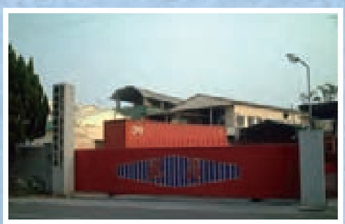
By leveraging our manufacturing expertise, the wide acceptance of Stella's products and industry recognition, we have also begun our retail operation and have successfully expanded into footwear retail market in China since 2006 through our own brands *Stella Luna* and *What For*.

Milestones

Value Chain | Branding / Retail | Engineering & Development | Assembly | Components Manufacturing

1982

- Founded in Taiwan by Messrs. Jimmy Chen, Jack Chiang and Eric Chao to produce women's footwear for US retail customers.



1991

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

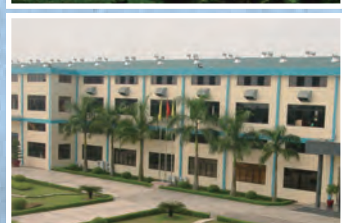
1995

- Established Seville Footwear Factory in Changan, Dongguan for the development and manufacture of men's casual footwear for leading companies like Clarks, Rockport, Timberland and Wolverine.

1998

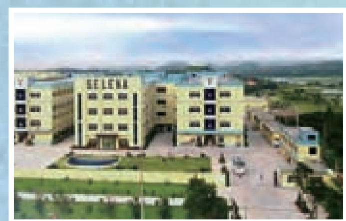
- Expanded production capacity in China with the expansion of Seville Footwear Factory.

- Entered into an exclusive finished footwear supply arrangement with Golden Star Company Limited for the manufacture of men's casual and fashion footwear in Vietnam.



1999

- Established Selena Footwear Factory in Dalingshan, Dongguan to cope with our increased production and range of women's fashion shoes.



2000

- Established Longchuan Simona Footwear Factory in Longchuan, Heyuan as a wholly foreign-owned enterprise in the PRC.

2003

- Established and extended Dongguan Stella Footwear Factory in Dalingshan, Dongguan, a wholly foreign-owned enterprise, for the manufacture of women's casual and fashion footwear.

Fashion / Luxury | Casual | Private Label | **Product**

2004

- Developed and manufactured footwear for high-end brands such as Celine, Donna Karan New York, Emilio Pucci, Givenchy, Kenzo, Loewe and Marc by Marc Jacobs.

2006

- Launched retail operation and opened the flagship *Stella Luna* store in Shanghai.
- Further extended Dongguan Stella Footwear Factory to manufacture men's casual and fashion footwear.

2007

- **6 July 2007**
  Listed on The Stock Exchange of Hong Kong Limited.
- **July 2007**
  Expanded our retail market capabilities with the launch of our contemporary lifestyle footwear brand *What For* in China.

2008

- Revenue exceeded US$1 billion
- Annual manufacturing capacity reached 50 million pairs
- Opened the 100th *Stella Luna* Store. Number of *What For* stores reached 60.

2009

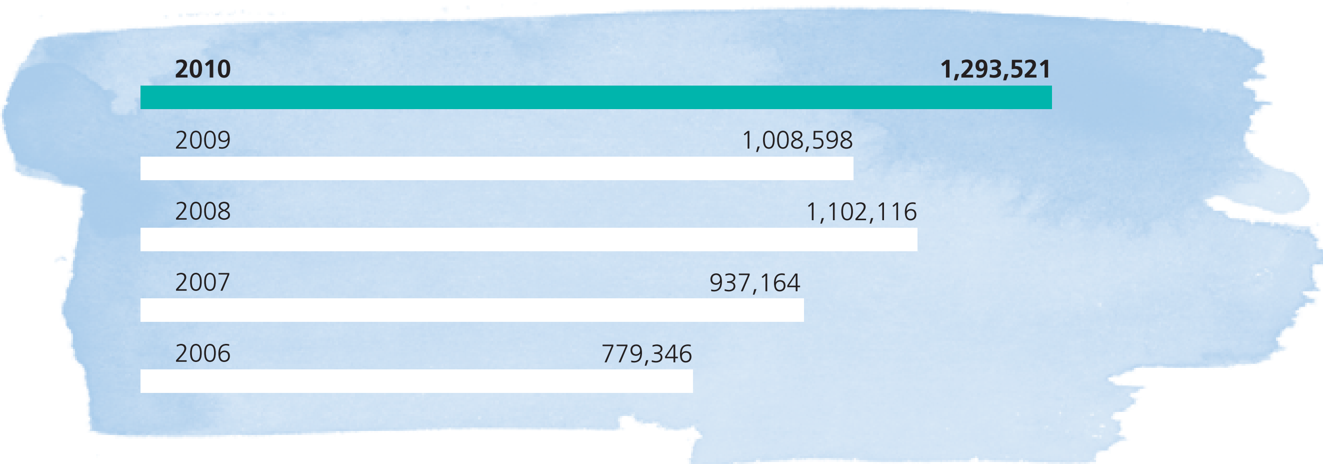
- Opened *Stella Luna* Store at Dubai Mall in July.

2010

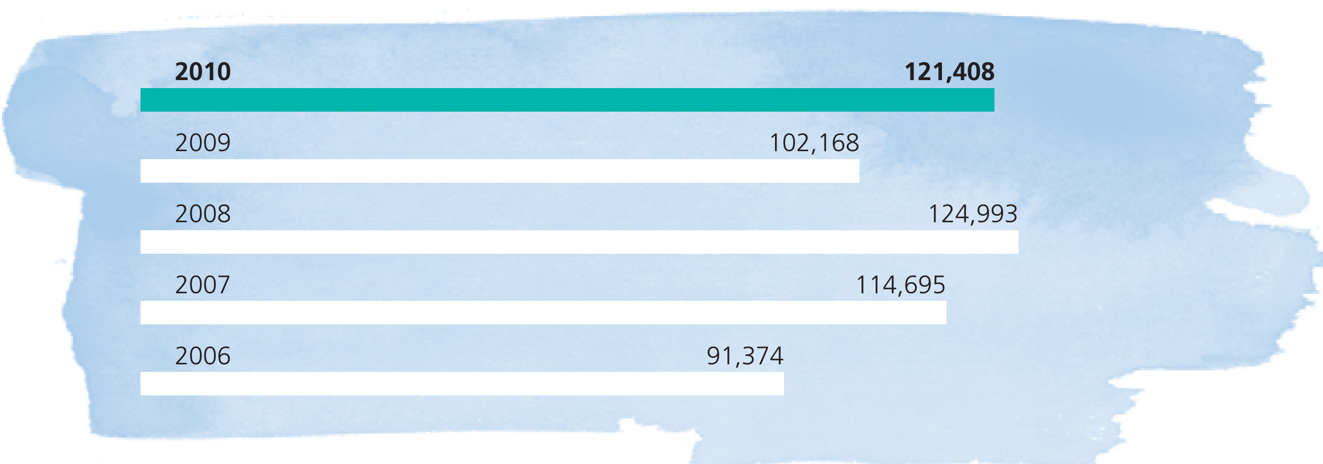
- Diversified into inland China

Financial Highlights

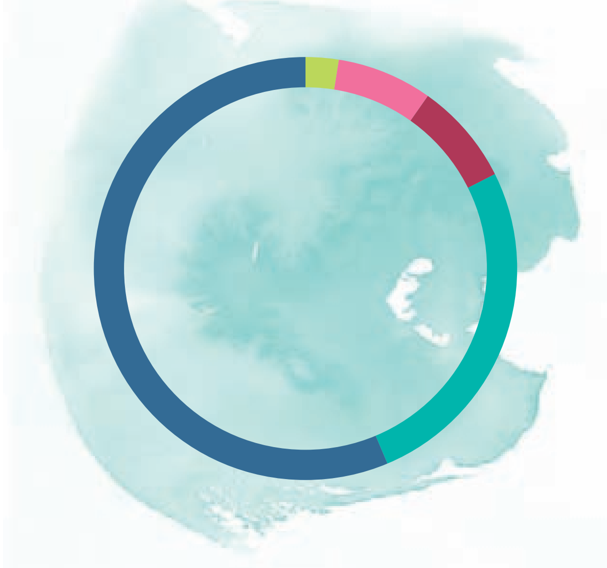
Revenue
US$'000



Net profit attributable to shareholders
US$'000



2010 Revenue by Geographical Segments



- 54.7% North America
- 28.4% Europe
- 7.6% The PRC (including Hong Kong)
- 7.0% Asia (other than the PRC)
- 2.3% Others

2010 Revenue by Business Segments

Men's		Women's
25.5%	Casual	25.3%
6.5%	Fashion	35.8%
	Private label	1.9%
	Retail	5.0%

Chairman's Statement

Our mission: "making the best shoes"

Chairman's Statement

Dear Shareholders,

2010 saw global economic recovery take a stronger hold with growth in the US and Europe beginning to translate into renewed consumer demand. Stella capitalised on this emerging recovery based on our efforts over many years to build our reputation as the preferred partner of leading footwear brands.

As a result of Stella's unwavering commitment to quality and our high position in the value chain, we once again grew our shipment volumes over the year, steadily regained margins and attracted a higher ASP than the industry average. Our ability to raise unit costs, while still running an order book at close to full capacity, is a demonstration of the value our brand partners place on the quality of our products.

Closer to home, the Chinese economy continued to grow strongly, ensuring continued enthusiasm for quality fashion footwear. Decades of continuous economic growth in China has created the world's third largest consumer market, and Stella has been quick to capitalise on this opportunity.

Less than five years since their launch, our *Stella Luna* and *What For* brands are already recognised trend setters in the Chinese women's footwear market. Our retail business turned its second year full-year profit this year, a testament to the dedication and expertise of our retail team. It also vindicates our strategy to expand our core business to capture the growth of one of the world's most dynamic economies. Throughout the year, we continued to expand the networks of our *Stella Luna* and *What For* stores across China and the region, while also boosting overall revenue and same-store sales.

However, China's unbridled economic growth is also a double-edged sword, with both inflation and wage pressures remaining key challenges throughout the year. Resurgent demand has also resulted in many of our factories approaching full capacity. Preparations to counter these challenges are progressing well, with our newly completed factory in Guangxi beginning operations late in the year and our planned Hunan factory expected to come online soon. Our plans to gradually shift labour-intensive production inland will allow Stella to further optimise our operations, reduce costs and secure a stable and quality labour supply.

In the coming year, we expect to see a continued increase in demand for our products while consumer sentiment in our export markets continues to recover. We will also continue to invest in our R&D capabilities to enhance the value we provide to our customers and to attract more partners. We also expect our retail business to contribute more to our overall business as we further cement our place in the market.

We are confident that these measures, combined with our efforts to combat inflationary pressure and contain operating costs, will place us in good stead to benefit from the global economic recovery.

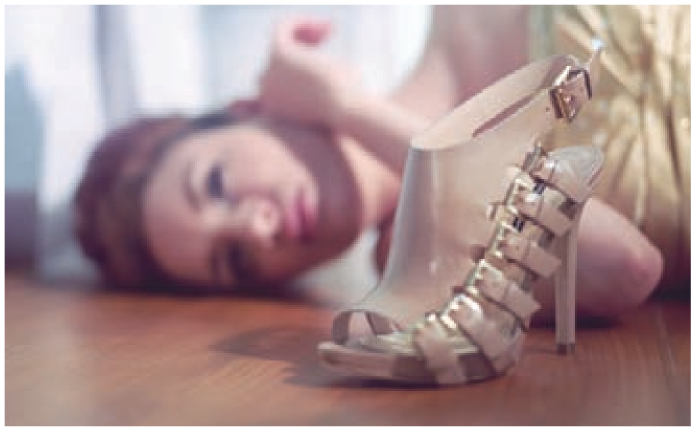
On behalf of the Board, I would like to extend our sincere gratitude to our shareholders, customers and business partners for their unwavering support throughout the year. In addition, I would also like to take this opportunity to thank all my colleagues and staff for their unceasing contribution and unyielding commitment to Stella.

Chiang Jeh-Chung, Jack
Chairman
Hong Kong, 17 March 2011

Management Discussion and Analysis

To capitalise on economic recovery


Pompadeur



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 2010.

FINANCIAL HIGHLIGHTS

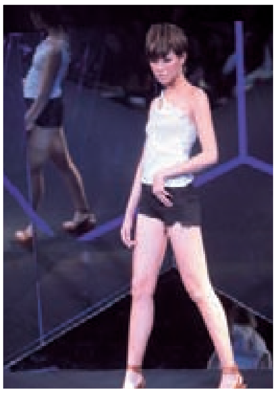
Resurgent Economic Growth Underpins Strong Consumer Demand in 2010

The Group witnessed a turnaround in global economic activity driven by China's continued rapid development and greater recognition and demand from our customers for its quality high-end products.

Stella's unique ability to serve niche clients, especially luxury and premium brands, ensured that we were well positioned to capitalise on this upcoming demand and remain their preferred partner for footwear products. During the year under review, our consolidated revenue increased 28.2% year-on-year to US$1,293.5 million (2009: US$1,008.6 million) while total shipments rose 24.8% to 53.3 million pairs (2009: 42.7 million pairs). The net profit attributable to equity holders of the Company rose 18.9% to US$121.4 million (2009: US$102.1 million).

The average selling price ("ASP") of Stella's footwear products rose 2.7% in 2010, to US$23.2 per pair (2009: US$22.6), an increase attributable to a combination of rising input costs and recognition of the quality of our products. Basic earnings per share rose 19.4% year-on-year to US$0.154 (2009: US$0.129), based on the weighted average number of 790,708,942 ordinary shares in 2010 (2009: 791,610,816 shares).

All segments of our manufacturing business performed well, with the women's fashion footwear business contributing 35.8% to the Group's total revenue (2009: 37.3%), remaining our largest business segment. Contribution from the women's and men's casual footwear segments was 25.3% (2009: 26.5%) and 25.5% (2009: 23.5%) of overall revenue respectively, while the contribution from the men's fashion segment rose to 6.5% (2009: 5.6%).



Retail Business Continues to Grow

2010 was a strong year for Stella's retail business, which recorded its second full-year profit less than five years after its launch in 2006. This result was attributable to our success in building a winning retail and design team, as well as the Group's exposure to China's rapidly emerging mid-to-upper class consumers. Both our *Stella Luna* and *What For* brands continued to open new stores in China and other emerging markets throughout the year.

Revenue from our retail business in 2010 grew 42.3% to US$66.3 million (2009: US$46.6 million), while same-store sales grew 25.3% to US$27.7 million, up from US$22.1 million in the preceding year. The retail business' contribution to the Group's total revenue rose to 5.0%, up from 4.6% in the previous year.

Gross profit for our retail business grew a significant 35.8% to US$44.8 million. As at the end of 2010, Stella owned 324 retail stores globally, an increase of 26.6% over the preceding year.

Strengthening Financial Results as Global Recovery Takes Hold

Our Group's consolidated gross profit for the year was US$283.0 million, an increase of 18.0% from the previous year (2009: US$239.8 million). This rise in gross profit can be attributed to increase in shipment volume and recovery in ASP. Gross profit margins fell slightly to 21.9% (2009: 23.8%), while our net profit margin fell 0.7 percentage points to 9.4% (2009: 10.1%).

During the year under review, the Group's cash flow remained stable as global markets recovered. Cash generated from operations for the year amounted to US$73.1 million (2009: US$144.6 million). The expansion strategy entailed an instrument in capital expenditure of US$29.4 million in building additional capacity in inland China, resulting in a net outflow of US$36.5 million in 2010.

Geographically, North America and Europe continued to be our two largest markets, accounting for 54.7% and 28.4% of the Group's total revenue during the reporting year. This was followed by the PRC (including Hong Kong) at 7.6%, Asia (other than the PRC) at 7.0%, and other geographical regions at 2.3%.

BUSINESS REVIEW

Premium Position in the Value Chain Reinforces Margins

Our reputation as a supplier of quality footwear placed Stella in a strong position to capitalise on resurgent consumer demand in 2010. This reputation is underpinned by our strong design and development capabilities which enabled us to quickly develop new types of products which add value to our customers. One recent example of this was the development of physiological shoes which target well-being.

This unique value-adding proposition ensured that the Group's order book ran at close to full capacity for most of the year, allowing Stella to attract a higher ASP than the industry average. The higher unit price also allowed us to gradually recover our margins ahead of other manufacturers.

Long-term Partnership with Luxury and Premium Brands

Stella's commitment to craftsmanship, innovation, short lead times and small batch production ensured that we remained a long-term partner for top footwear brands around the world. Many of these partners are luxury and niche brands which require suppliers to respond quickly to their specific needs and specifications, while still providing a quality product. Our strength in both these areas enabled us to broaden our customer portfolio year after year, as more international brands outsource production.

During the year under review, Stella's top five customers accounted for 55.2% of our total revenue (2009: 57.9%). Our client base currently includes several leading footwear brands, as well as six of the world's top ten casual footwear companies. We were successful in adding more high-end brands and niche players to our customer base throughout the year.

Optimisation of Cost Structure and Production Capacity

We are well advanced in implementing our plans to counter the twin challenges of capacity constraints and wage inflation, with the Group's factories in Dongguan and Vietnam operating at close to full capacity throughout the year.

As the first step of our production expansion plans, Stella commenced initial operations at its new factory in Guangxi towards the end of 2010, with plans to gradually increase production in 2011. Our other planned factory in Hunan remains under construction. The development of both factories is part of our overall strategy to shift more labour intensive processes away from coastal regions in order to control manufacturing costs, optimise production and secure a stable labour supply. This expansion is expected to boost overall production capacity to 70 million pairs over the long term.

In the meantime, the Group proactively raised the basic pay rate of our workers at the beginning of this year in order to pre-empt a government sanctioned increase of the minimum wage in the PRC. These measures relieved short to mid-term pressure on the stability of our workforce, resulting in a higher worker retention rate than other manufacturers.

Retail Business Contributes to Overall Profitability

Our retail businesses recorded its second full-year profit in 2010 following a profitable 2009, further cemented its place in the Chinese high-end women fashion market. Reaching this milestone in less than five years of operation is a significant achievement and a testament to the strong know-how of our retail team, as well our passion to deliver the right products to Chinese consumers.

As part of our ongoing store expansion strategy, we opened 25 *Stella Luna* and 39 *What For* stores throughout China and the region. *Stella Luna* is the Group's retail brand targeting the high-end fashion footwear and leather goods markets, with prices ranging from RMB1,000 to RMB2,800 a pair. Our *What For* brand targets the contemporary and lifestyle markets, with prices ranging from RMB600 to RMB1,500 a pair.

We also opened three more UGG stores in Shenyang and Shanghai this year as part of our joint venture with Deckers Asia Pacific Limited. We hope that this partnership, which is now entering its third year, will be the first of many that will increase Stella's brand offering.

Stella currently oversees a total of 172 *Stella Luna* and 152 *What For* stores in China and the surrounding region. The majority of these stores (in Greater China and Thailand) are operated directly by the Group, while our stores in the Philippines, Lebanon and the United Arab Emirates are operated by our distributors in those countries.

The following table shows the geographic distribution of our *Stella Luna* and *What For* stores as of 31 December 2010:

	Stella Luna	*What For*
Greater China		
Eastern China	35	28
Southern China	27	19
Northern China	31	37
North-East China	20	19
South-West China	16	20
Central China	16	20
Taiwan	3	0
Sub-total	148	143
Thailand		
Bangkok	11	8
Phuket	2	0
Sub-total	13	8
Philippines	4	1
Lebanon	6	0
United Arab Emirates	1	0
Total	172	152

BUSINESS OUTLOOK

Continued Capacity Expansion through Specialised Manufacturing Hubs

The Group will continue to implement the capacity expansion strategy by gradually expanding initial production levels at our Guangxi factory and working towards the completion of the planned factory in Hunan. At the same time, we also plan to expand the capacity of our Vietnam manufacturing facilities while extending our foothold into Indonesia as well.

Over the next few years, we envisage the creation of three specialised hubs for Stella's manufacturing business: Dongguan, which will remain the Group's headquarters, R&D centre and high-end manufacturing base; Guangxi/Hunan, for the production of mid-range footwear; and South East Asia, for European shipments and mass market products. This will allow us to further optimise our operations, counter wage inflation and secure a stable labour supply. We are also prudently exploring several options, including buying out suitable acquisition target in Indonesia, to further extend our manufacturing operations and lower input costs.

Strong Order Pipeline in Face of Global Economic Recovery

We expect our manufacturing operations and order book to remain at close to full capacity in 2011 as global economic recovery continues to fuel consumer demand. ASP is also expected to increase slightly as margin pressures continue to dissipate. We also expect to generate further demand through tighter partnerships with our global partners.

Potential challenges in the coming year include the appreciation of the RMB, ongoing inflation and a mismatch between seasonality and capacity. To counter this, we will continue to implement cost-control measures to preserve our margins and sustain growth.

Enhanced Design and Development Capabilities to Maintain Position on Value Chain

We are committed to further developing ways to reinforce our ability to meet the specialised needs of our customers and maintain the quality and craftsmanship of our products. We will continue to invest heavily in our R&D capabilities over the coming year in order to better collaborate with our partners and increase the value of our products.

In 2011, we plan to establish our own design studio in Italy, which will enable us to move closer to global fashion trends and respond more quickly to the needs and specifications of our high end fashion customers.

Continued Expansion of Home-Grown Retail Brands

Ongoing economic expansion and social mobility in China, alongside the rising willingness of customers to recognise and pursue quality, will continue to stimulate demand for Stella's retail offering in China. As a result, we are confident that there is still significant space for further expansion of our home-grown *Stella Luna* and *What For* brands in the coming year.

We will continue to pursue further growth through store expansions, same-store sales and space expansion in order to enhance the Group's overall revenue mix. China will remain the primary focus of this expansion, although we will consider opportunities for strategic growth in other regional markets as opportunities emerge.

With the Group's home-grown *Stella Luna* and *What For* brands continuing to operate at a profit, we are also considering a number of opportunities to introduce and add new brand names to our retail business.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2010, the Group had cash and cash equivalents of about US$383.5 million (2009: US$425.2 million).

As at 31 December 2010, the Group had current assets of US$792.6 million (2009: US$755.9 million) and current liabilities of about US$187.9 million (2009: US$157.1 million). The current ratio (which is calculated on the basis of current assets over current liabilities) was 4.2 as at 31 December 2010 which indicated the Group's high liquidity and healthy financial position.

BANK BORROWINGS

The Group did not have any bank borrowings as at 31 December 2010 (2009: Nil).

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2010, 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 denominated in RMB and Hong Kong dollars against the functional currency of the relevant Group company. The Group has not adopted formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the year under review.

CAPITAL EXPENDITURE

During the year under review, the Group's total capital expenditure amounted to approximately US$29.4 million, of which approximately US$25.8 million was used in the production capacity expansion and approximately US$3.6 million was used for the expansion of the retail store network.

PLEDGE OF ASSETS

As at 31 December 2010, the Group had not pledged any of its assets (2009: Nil).

CONTINGENT LIABILITIES

As at 31 December 2010, the Group had no material contingent liabilities.

EMPLOYEES

As at 31 December 2010, the Group had approximately 64,000 employees (2009: approximately 50,000). Stella cultivates a caring, sharing and learning culture among our employees and believes that human resources are significant assets to our future development and expansion. We actively attract, train and retain individuals who are energetic, committed to and passionate for our business.

We have continued to build a strong management team internally through effective learning and promotion programs, including our "Leadership Program" that was launched in 2010 to identify potential high caliber employees, to assess the quality of our senior management and ultimately to determine appropriate remuneration and other human resources related measures.

To cope with the labour shortage issue and the PRC government's increase of the minimum wage, the Group raised the basic pay rate of the workforce in February 2010, together with the granting of restricted unit awards under the long term incentive scheme of the Company, in order to maintain labour force stability. As of 31 December 2010, our recruitment efforts remain satisfactory, despite the labour shortage.

Employee training
program

Recreational activities

Our next generation –
nursery

Visiting the elderly

Community services

Stella's corporate philosophy emphasises respect for people, concern for society and respect for a fair working environment. We see each of our employees as family and believe that as our business continues to grow, so does our obligation to contribute to the local community and the environment.

In 2010, we continued to engage in a number of philanthropic activities which furthered the potential of our employees, underlined our commitment to the natural environment and benefited our local communities. We strongly believe that these sustained efforts will continue to help us secure the long-term and sustainable development of our company.

Helping our workforce reach their maximum potential

As a young and growing company, Stella is a strong supporter of life-long education and the personal development of our workforce.

Since 2006, Stella has supported the further education of our employees by sponsoring them to undertake diploma courses and encouraging them to complete their university studies. This year, we sponsored 52 of our employees to undertake autumn diploma courses at the Open University of China in Dongguan, the fifth cohort to undertake the program.

Greening our communities

As part of the annual *Earth Day* on April 22, Stella, in partnership with Timberland, carried out various tree planting activities in local communities in Guangdong Province and Vietnam.

In Guangdong, Stella undertook tree planting projects in Zhuhai, Zhongshan and Huizhou, which were further supported by activities organised around the themes of environmental protection, green living and supporting a "Green Earth".

In Vietnam, employees from Stella and Timberland planted 31 trees at a new kindergarten in Ninh Giang, Hai Duong Province under the theme of "Green Living".

Regular check-up services for employees

Stella fun fair

Promoting environmental sustainability

Stella strongly advocates the need for better environmental protection and is constantly looking for ways to improve its manufacturing processes in order to reduce its consumption of natural resources.

This year, Stella substituted its use of plastic bags for packaging with bags made from recycled paper. This enabled us to reduce the size and weight of our packaged products, as well as the level of carbon emissions during transportation, while also reducing our use of water and energy by 60%. We also upgraded the technology used in our factories to reduce sulphur dioxide emissions and improve the treatment of sewerage.

Caring for our communities

Stella's home is in the communities where we operate, and we remain devoted to improving local living standards, especially for the elderly and other people in need.

Throughout the year, volunteers from our factories donated their time to visit the elderly in Huizhou, and Dalingshan, Guangdong Province to check on their welfare and spread warmth and happiness. In Chang'an, Guangdong Province, our volunteers also took the time to visit and clean a local nursing home. At the end of the day, our volunteers treated the residents to an impromptu entertainment show, which was well received by all those involved.

Charitable support

Stella also supported a number of charitable activities in China and Vietnam throughout the year. In Dongguan, Stella's "Charitable Clothing Donation" campaign entered into its fourth year, with over one million items of clothing being donated to the Dongguan Community Centre, from where it was distributed directly to those in need.

In Vietnam's Thai Binh Province, Stella worked in partnership with Timberland to renovate a local medical centre by sponsoring the renovation of its housing quarters, windows and paintwork.

Going forward, Stella remains committed to community service, supporting local development and protecting the environment which we all share. We will continue to explore new ways to add value to society while driving the sustainable development of our company.

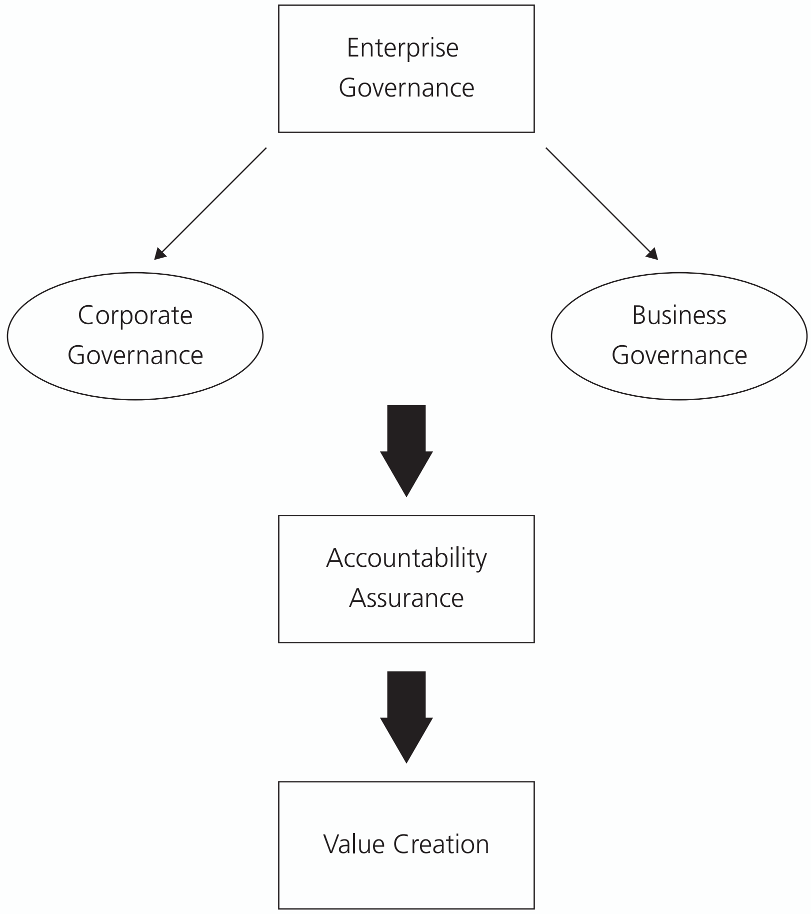
Corporate Governance Report

Stella advocates a governance model which combines both corporate governance and business governance in order to build long-term value for the Group

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 to ensure and enhance a high standard of corporate governance practices through increasing transparency, accountability and better risk assessment and mitigation. We believe that high standard of corporate governance practices will translate into long-term returns to the shareholders of the Company (the "Shareholders").

GOVERNANCE MODEL

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



GOVERNANCE FRAMEWORK

The Company's governance framework embodies the following:

- Terms of reference of various Board committees (Audit Committee, Corporate Governance Committee, Nomination Committee and Remuneration Committee)
- Compliance Manual
- Connected Transactions Manual
- Corporate Disclosure Policy

Corporate Governance Committee

To facilitate more effective implementation of corporate governance practices, a corporate governance committee of the Board (the "Corporate Governance Committee") has been established pursuant to a resolution of all Directors passed on 15 June 2007 with specific written terms of reference which deal clearly with the committee's authority and duties. The Corporate Governance Committee currently has three members comprising an executive Director, Mr. Shih Takuen, Daniel and two independent non-executive Directors, Mr. Chu Pao-Kuei and Mr. Ng Hak Kim, *JP*. The chairman of the Corporate Governance Committee is Mr. Shih Takuen, Daniel.

The principal roles and functions of the Corporate Governance Committee, as disclosed in greater detail in its terms of reference, include:

1. reviewing the corporate governance practices of the Company and monitoring compliance with the relevant requirements under the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and any applicable laws and regulations;

2. reviewing annual corporate governance report and related disclosure in the annual and interim reports of the Company;

3. advising on risk management;

4. advising on investor relations matters; and

5. upholding corporate social responsibilities.

During the year ended 31 December 2010, two Corporate Governance Committee meetings were held, and the attendance records are set out below:

Name of Directors	Attendance
Mr. Shih Takuen, Daniel	2/2
Mr. Chu Pao-Kuei	2/2
Mr. Ng Hak Kim, *JP*	2/2

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

(i) reviewed annual corporate governance report and related disclosure in the annual and interim reports;

(ii) monitored the progress of internal control system and enterprise risk mitigation program;

(iii) monitored investor relations activities; and

(iv) monitored the progress of succession planning and leadership development program.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2010 except for code provision E.1.2, details of which are disclosed below. Save for the deviation from code provision E.1.2, the Group upholds a high standard of corporate governance and the Company has adopted practices for corporate governance which, the Directors believe, are of higher standard than that required under the Code in various aspects as more particularly described later in this report.

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

A.	**Directors**
A.1	The Board

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

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

The management of the day-to-day operations of the Group is delegated by the Board to the management. In addition, the Board has established various Board committees to discharge their respective responsibilities set out in their respective terms of reference.

Code Provisions	Compliance	Corporate Governance Practices
A.1.1 The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals and to involve active participation of a majority of directors.	✓	The Directors' attendance records for the year 2010 are set out below: **Name of Directors** — **Attendance** **Executive Directors** Mr. Chiang Jeh-Chung, Jack (Chairman) — 1/7 *(note 1)* Mr. Shih Takuen, Daniel (Deputy Chairman) — 7/7 Mr. Chao Ming-Cheng, Eric — 7/7 Mr. Chen Li-Ming, Lawrence (Chief Executive Officer) — 7/7 Mr. Shieh Tung-Pi, Billy (Chief Operating Officer) — 6/6 *(note 2)* Mr. Chi Lo-Jen — 4/7 **Independent Non-executive Directors** Mr. Chu Pao-Kuei — 7/7 Mr. Ng Hak Kim, *JP* — 7/7 Mr. Chen Johnny — 6/7 Mr. Bolliger Peter — 1/1 *(note 3)* **Relationships among the members of the Board** Mr. Chiang Jeh-Chung, Jack is the uncle of Mr. Chi Lo-Jen and is the brother-in-law of Mr. Shieh Tung-Pi, Billy. Mr. Shih Takuen, Daniel is the brother-in-law of Mr. Chen Li-Ming, Lawrence. 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 *Note 1* Mr. Chiang Jeh-Chung, Jack attended only one Board meeting during the year due to the following reasons: (1) the different allocation of responsibilities between the Chairman and Deputy Chairman as referred to A.2 in this report; and (2) some of the Board meetings scheduled had clashed with Mr. Chiang Jeh-Chung, Jack's other business commitments. Nonetheless, Mr. Chiang Jeh-Chung, Jack had conveyed his messages to the Board and given his opinions to the matters discussed at the Board meetings through the Deputy Chairman, Mr. Shih Takuen, Daniel, to ensure that he had fully discharged his duties and responsibilities as a director, contributed actively to the Board deliberations and that the Board acts in the best interests of the Group. Moreover, Mr. Chiang Jeh-Chung, Jack communicates with the executive management on a regular basis to ensure that strategic direction is properly aligned and all executive Board members share the same goal in terms of utilising and allocating Group resources. *Note 2* Mr. Shieh Tung-Pi, Billy resigned as executive Director on 19 August 2010. *Note 3* Mr. Bolliger Peter was appointed as an independent non-executive Director on 1 October 2010.

Code Provisions	Compliance	Corporate Governance Practices
A.1.2 Arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings.	✓	Draft agenda of regular Board meetings are made available to all Directors in advance so that they may include any additional matters they consider appropriate in the agenda.
A.1.3 Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For other board meetings, reasonable notice should be given.	✓	At least 14 days formal notice has been given to all Directors for regular Board meetings. Regular Board meetings in 2011 have already been scheduled to ensure compliance with the Code and to facilitate Directors' attendance.
A.1.4 All directors should have access to the advice and services of the company secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.	✓	All Directors have full access to the advice and services of the company secretary of the Company ("Company Secretary") and legal and professional consultants of the Company, whenever necessary, to ensure compliance with applicable laws, rules and regulations, and corporate governance practices.
A.1.5 Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and such minutes should be open for inspection at any reasonable time on reasonable notice by any director.	✓	The Company Secretary is responsible for preparing minutes of all Board meetings and Board committee meetings; the final versions of which are available for the Directors' inspection at the Company's principal place of business.
A.1.6 Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered by the board and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes of board meetings should be sent to all directors for their comment and records respectively within a reasonable time after the board meeting is held.	✓	Minutes of Board meetings and Board committee meetings have recorded in sufficient detail all matters discussed and resolved at such meetings. Draft minutes are circulated to all Directors for comment within a reasonable time after each meeting and final versions of the minutes are circulated to all Directors for records.
A.1.7 There should be a procedure agreed by the board to enable directors to seek independent advice in appropriate circumstances at the issuer's expense. The board should resolve to provide separate independent professional advice to directors to assist the relevant director or directors to discharge his/their duties to the issuer.	✓	Directors have been advised in the Directors' appointment letters/service agreements that they are entitled to seek external independent legal advice at the Company's expense. No request was made by any Director for such independent professional advice during the year under review.
A.1.8 If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should not be dealt with by way of circulation or by a committee but a board meeting should be held. Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.	✓	Directors are required to declare their interest, if any, in matters before Board meetings, or if such matters are dealt with by written resolutions, in such resolutions. In case the Director(s) concerned has a material conflict of interest, the Director(s) concerned has abstained from voting on the relevant board resolution and is not counted towards the quorum.

Recommended Best Practices	Compliance	Corporate Governance Practices
A.1.9 An issuer should arrange appropriate insurance cover in respect of legal action against its directors.	✓	A Directors and Officers Liability Insurance Policy has been arranged to cover the liability of the Company's Directors and officers.
A.1.10 Board committees should adopt the principles, procedures and arrangements set out in A.1.1 to A.1.8 under the Code	✓	The Board committees of the Company, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee were established in June 2007. All Board committees have principally adopted the same principles, procedures and arrangements set out in A.1.1 to A.1.8 under the Code.

A.2 Chairman and Chief Executive Officer

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

Chairman's responsibilities:

- Determine broad strategic direction.
- Responsible for macro oversight of management.
- Ensure that all Directors are properly briefed on issues arising at Board meetings.
- Responsible for ensuring that Directors receive adequate information, which must be complete and reliable, in a timely manner.
- Provide leadership for the Board.
- Ensure that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner.
- Responsible for drawing up and approving agenda for each Board meeting taking into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda (may delegate such responsibility to Company Secretary).
- Ensure that good corporate governance practices and procedures are established.
- Encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Company.
- Hold meetings annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present.
- Ensure that appropriate steps are taken to provide effective communication with the Shareholders and that views of the Shareholders are communicated to the Board as a whole.
- Facilitate the effective contribution from non-executive Directors (including independent non-executive Directors) in particular and ensure constructive relations between executive and non-executive Directors.

Chief Executive Officer's responsibilities:

- Responsible for strategic planning of different business functions.
- Day-to-day management and operation of the Group.

Appreciating the significant role of the Chairman in providing leadership for the Board, the position of Deputy Chairman has been put in place to assist the Chairman to discharge his responsibilities. Specifically, the Chairman, Mr. Chiang Jeh-Chung, Jack, is mainly responsible for managing major customers' relationship and overseeing strategies of the Group, while the Deputy Chairman, Mr. Shih Takuen, Daniel, is responsible for providing leadership and management to the Board and handling matters relating to investor relations and communication with Shareholders. The Board considers that such allocation of responsibilities between the Chairman and Deputy Chairman enables the Group to enhance its efficiency of the implementation of business plans and be responsive to the needs of our stakeholders. The Board will regularly review the effectiveness of the segregation of roles to ensure its appropriateness under the Group's prevailing circumstances.

Code Provisions	Compliance	Corporate Governance Practices
A.2.1 The roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.	✓	The roles of the Chairman and Chief Executive Officer are separate and have been performed by separate individuals. The division of responsibilities between the two positions have been clearly established and set out in writing.
A.2.2 The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	✓	With the support of the Deputy Chairman, executive Directors, senior management and the Company Secretary, the Chairman ensures that all Directors are properly briefed on issues arising at Board meetings.
A.2.3 The chairman should be responsible for ensuring that directors receive adequate information, which must be complete and reliable, in a timely manner.	✓	The information and/or analyses required for the Board's consideration and decision making are included in Board papers that are normally sent to Directors for their review in a timely manner.
Recommended Best Practices	**Compliance**	**Corporate Governance Practices**
A.2.4 One important role of the chairman is to provide leadership for the board. The chairman should ensure that the board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the board in a timely manner. The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting taking into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda.	✓	Such roles are set out in writing and, with the support of the Deputy Chairman, such roles have been complied with.
A.2.5 The chairman should take responsibility for ensuring that good corporate governance practices and procedures are established.	✓	The Chairman and the Deputy Chairman, being also the chairman of the Corporate Governance Committee, will ensure that high standard of corporate governance practices are established and complied with in the Company.
A.2.6 The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that the board acts in the best interests of the issuer.	✓	Such roles are set out in writing and have been complied with.
A.2.7 The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.	✓	The Chairman and the Deputy Chairman maintain open dialogue with individual independent non-executive Directors to ensure that communication is effective.

Recommended Best Practices	Compliance	Corporate Governance Practices
A.2.8 The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that views of shareholders are communicated to the board as a whole.	✓	Please refer to the section E as described later in this report.
A.2.9 The chairman should facilitate the effective contribution of non-executive directors in particular and ensure constructive relations between executive and non-executive directors.	✓	Effective contribution of non-executive Directors and communication between executive and non-executive Directors are achieved through discussions in Board meetings, various Board committee meetings and other Board activities/programmes such as the "Corporate Leadership Programme".
A.3 Board composition **Principle** To ensure that the Board has a balance of skills and experience appropriate for the requirements of the business of the Group, a policy of selection and nomination of Directors has been established and set out in writing. Its policy statement is: *Directors are selected and nominated based on their 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.* There is a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment. The independent non-executive Directors are of diversified background and competencies, with appropriate professional qualifications and/or extensive knowledge and experience in their respective business undertakings. The Board also ensures that changes to its composition can be managed without undue disruption.		
Code Provisions	**Compliance**	**Corporate Governance Practices**
A.3.1 The independent non-executive directors should be expressly identified as such in all corporate communications that disclose the names of directors of the issuer.	✓	The composition of the Board, by category, is disclosed in all corporate communications.
Recommended Best Practices	**Compliance**	**Corporate Governance Practices**
A.3.2 An issuer should appoint independent non-executive directors representing at least one-third of the board.	✓	
A.3.3 An issuer should maintain on its website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.	✓	The Company has maintained on its website an updated list of its Directors identifying their role and function and whether they are independent non-executive Directors.
A.4 Appointments, re-election and removal **Principle** There are in place procedures for the selection and nomination of new Directors to the Board. The procedures are: (i) First, appointments of Directors are reviewed by the Nomination Committee; and (ii) Then, the recommendations of the Nomination Committee shall be proposed to the Board for approval.		

<table>
<tr><th>Code Provisions</th><th>Compliance</th><th>Corporate Governance Practices</th></tr>
<tr><td>A.4.1
Non-executive directors should be appointed for a specific term, subject to re-election.
A.4.2
All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.</td><td>✓</td><td>The term of Directors' (including non-executive Directors') appointment is as below:
(i) Directors shall be appointed for a term of three years;
(ii) Directors appointed, either to fill casual vacancy or as addition to the existing Board, shall hold office until the first general meeting of members after their first appointment and be subject to re-election at such meeting; and
(iii) at each annual general meeting at least one-third of the Directors shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Retiring Directors shall be eligible for re-election at such meeting.</td></tr>
<tr><th>Recommended Best Practices</th><th>Compliance</th><th>Corporate Governance Practices</th></tr>
<tr><td>A.4.3
If an independent non-executive director serves more than nine years, any further appointment of such independent non-executive director should be subject to a separate resolution to be approved by shareholders.</td><td>N/A</td><td>No independent non-executive Director has served the Board for more than nine years.</td></tr>
<tr><td>A.4.4
Issuers should establish a nomination committee. A majority of the members of the nomination committee should be independent non-executive directors.</td><td>✓</td><td>The Company established the Nomination Committee pursuant to a resolution of all Directors passed on 15 June 2007. The Nomination Committee has four members comprising three independent non-executive Directors, Mr. Chen Johnny, Mr. Chu Pao-Kuei and Mr. Ng Hak Kim, JP and an executive Director, Mr. Shih Takuen, Daniel. The chairman of the Nomination Committee is Mr. Chen Johnny.
During the year ended 31 December 2010, two Nomination Committee meetings were held and the attendance records are set out below:
<table><tr><th>Name</th><th>Attendance</th></tr><tr><td>Mr. Chu Pao-Kuei</td><td>2/2</td></tr><tr><td>Mr. Ng Hak Kim, JP</td><td>2/2</td></tr><tr><td>Mr. Chen Johnny</td><td>2/2</td></tr><tr><td>Mr. Shih Takuen, Daniel</td><td>2/2</td></tr></table>During the year, the following work has been performed by the Nomination Committee:
(i) considered the re-appointment of independent non-executive Directors and executive Directors;
(ii) considered the appointment of Mr. Bolliger Peter as an independent non-executive Director;
(iii) 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
(iv) assessed the independence of independent non-executive Directors.</td></tr>
</table>

Recommended Best Practices	Compliance	Corporate Governance Practices
A.4.5 The nomination committee should be established with specific written terms of reference which deal clearly with the committee's authority and duties.	✓	The Nomination Committee was established with specific written terms of reference which deal clearly with the committee's authority and duties. The principal duties of the Nomination Committee include the review of the structure, size and composition of the Board, making recommendations to the Board on the selection and nomination of directors and assessment of the independence of the independent non-executive Directors.
A.4.6 The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board.	✓	The terms of reference of the Nomination Committee are posted on the website of the Company. A copy of the terms of reference is available on request.
A.4.7 The nomination committee should be provided with sufficient resources to discharge its duties.	✓	The Nomination Committee has been provided with sufficient resources to discharge its duties.
A.4.8 Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe the individual should be elected and the reasons why they consider the individual to be independent.	✓	Mr. Bolliger Peter, being an independent non-executive Director appointed by the Board to fill a causal vacancy with effect from 1 October 2010, will be subject to re-appointment at the forthcoming annual general meeting. A circular containing, inter alia, his biographical information and explanation for his independence is being despatched to the Shareholders for their information together with this annual report.
A.5 Responsibilities of directors Every Director is required to keep abreast of his responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.		
Code Provisions	**Compliance**	**Corporate Governance Practices**
A.5.1 Every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development as is necessary, to ensure that he has a proper understanding of the operations and business of the issuer and that he is fully aware of his responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the issuer.	✓	All newly appointed Directors have received a comprehensive, formal and tailored induction on the first occasion of their appointments and all non-executive Directors have been briefed by the Company's executive Directors and senior management on the Group's business. This is to ensure that they have proper understanding of the operations and business of the Group and that they are aware of their responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other relevant regulatory requirements and the governance practices of the Company.

Code Provisions	Compliance	Corporate Governance Practices
A.5.2 The functions of non-executive directors should include the following: (a) bring an independent judgment on strategy, policy, performance, accountability, resources, key appointments and standards of conduct at board meetings; (b) take the lead when potential conflicts of interests arise; (c) serve on the audit, remuneration, nomination and other governance committees, if invited; and (d) scrutinise issuer's performance in achieving agreed corporate goals and objectives, and monitor the reporting of performance.	✓	The non-executive Directors (including the independent non-executive Directors) have exercised independent judgment on issues discussed at Board meetings. They have also scrutinised the Company's performance by reviewing the business and financial performance updates at regular Board meetings and following up any outstanding issues after such meetings.
A.5.3 Every director should ensure that he can give sufficient time and attention to the affairs of the issuer and should not accept the appointment if he cannot do so.	✓	All executive Directors have in-depth industry knowledge and established track record, whose interests are aligned with that of the Company. The non-executive Directors (including the independent non-executive Directors) have brought a wide spectrum of their extensive knowledge and experience in their respective business undertakings to the Board for the fullest performance of its functions.
A.5.4 Directors must comply with the Model Code set out in Appendix 10 to the Listing Rules and the board should establish written guidelines on no less exacting terms than the Model Code for relevant employees in respect of their dealings in the securities of the issuer.	✓	The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the Directors. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code. All the Directors confirmed that they have complied with the required standard set out in the Model Code during the year. The persons occupying the following positions are regarded as the relevant employees of the Company subject to the restrictions on dealings in the Company's shares under the Model Code: Chief Executive Officer Chief Operating Officer Chief Financial Officer Treasurer Group Financial Controller Company Secretary Investor Relations Manager Divisional Head of Women's Footwear Divisional Head of Men's Footwear Divisional Head of Retail Business
Recommended Best Practices	**Compliance**	**Corporate Governance Practices**
A.5.5 All directors should participate in a programme of continuous professional development and the issuer should be responsible for arranging and funding a suitable development programme.	✓	The Company is responsible for arranging and funding continuous professional development programme for the Directors, such as in-house discussion sessions and external conferences. As part of the continuous professional development programme, various Directors participated in a Corporate Leadership Programme, the details of which are disclosed under B.1.1.

Recommended Best Practices	Compliance	Corporate Governance Practices
A.5.6 Each director should disclose to the issuer at the time of his appointment, and on a periodic basis, the number and nature of offices held in public companies or organisations and other significant commitments.	✓	The Directors have disclosed to the Company at the time of appointment and at least annually their offices held in public companies or organisations and other significant commitments.
A.5.7 Non-executive directors should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation.	✓	Please refer to the disclosure made under A.1.1, A.5.2 and A.5.3 in this report.
A.5.8 Non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.	✓	Please refer to the disclosure made under A.5.2 and A.5.3 in this report.
A.6 Supply of and access to information **Principle** Directors have been provided in a timely manner with appropriate information in such form and of such quality as will enable them to make an informed decision and to discharge their duties and responsibilities as Directors of the Company.		
Code Provisions	**Compliance**	**Corporate Governance Practices**
A.6.1 In respect of regular board meetings, an agenda and accompanying board papers should be sent in full to all directors in a timely manner and at least 3 days before the intended date of board meeting or board committee meeting (or such other period as agreed).	✓	Board papers are sent to the Directors for review at such period as agreed before the Board or Board committee meetings.
A.6.2 Management has an obligation to supply the board and its committees with adequate information, which must be complete and reliable, in a timely manner to enable it to make informed decisions. Directors should make further enquiries and require more information than is volunteered by management where necessary. The board and each director should have separate and independent access to the issuer's senior management.	✓	The relevant senior management attends all regular meetings of the Board and its committees to present the Group's business/financial performance to the Board and answer all questions of the Board on the matters discussed at such meetings. The Directors have separate and independent access to the Company's senior management to keep themselves abreast of business activities, financial performance, internal audit and internal control progress in the Group.
A.6.3 All directors are entitled to have access to board papers and related materials in proper form and quality. Where queries are raised by directors, steps must be taken to respond as promptly and fully as possible.	✓	Please refer to the disclosure made under A.6.1 and A.6.2 in this report.

B. Remuneration of Directors and Senior Management		
B.1 The level and make-up of remuneration and disclosure **Principle** There is sufficient disclosure on Directors' remuneration policy and other remuneration related matters. A formal and transparent procedure for setting policy on executive Directors' remuneration and for fixing the remuneration packages for all Directors has been in place. No Director has been involved in deciding his/her own remuneration.		
Code Provisions	**Compliance**	**Corporate Governance Practices**
B.1.1 Issuers should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors.	✓	The Company established the Remuneration Committee pursuant to a resolution of all Directors passed on 15 June 2007. The Remuneration Committee has three members comprising two independent non-executive Directors, Mr. Ng Hak Kim, *JP*. and Mr. Chu Pao-Kuei and an executive Director, Mr. Shih Takuen, Daniel. The chairman of the Remuneration Committee is Mr. Ng Hak Kim, *JP.* The Remuneration Committee was established with specific written terms of reference which deal clearly with the committee's authority and duties. During the year ended 31 December 2010, one Remuneration Committee meeting was held, and the attendance records are set out below: **Name** — **Attendance** Mr. Shih Takuen, Daniel — 1/1 Mr. Chu Pao-Kuei — 1/1 Mr. Ng Hak Kim, *JP* — 1/1 During the year, the following work has been performed by the Remuneration Committee: (i) reviewed the Group's overall human resources management strategic plan; (ii) reviewed employees' incentive scheme and discussed the granting of awards under the Company's long term incentive scheme; and (iii) discussed remuneration of Directors. **Corporate Leadership Programme** During the year, Mr. Ng Hak Kim, *JP*, the chairman of the Remuneration Committee, together with the Deputy Chairman and Chief Executive Officer, continued to lead the corporate leadership programme, which was first introduced in 2009. After going through various discussions and consultations in the previous year, the focus in 2010 was to implement the programme, starting in the retail division. Various aspects, such as upgrading leadership skills of department heads, salary survey and, in particular, employee relations, were covered. The objective of the programme is in line with the Group's belief that "human resources are significant assets to the Group's development and expansion". The Board also believes that, programme of such nature can help promote the Company's core values in the long-run.

Code Provisions	Compliance	Corporate Governance Practices
B.1.2 The remuneration committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.	✓	The procedure for setting policy on executive Directors' remuneration is as follows: (i) The Company's management makes recommendations to the Remuneration Committee on the executive Directors' remuneration; (ii) the Remuneration Committee then reviews these recommendations (with access to professional advice if considered necessary and at the Company's expense) and proposes the final remuneration package to the Board for approval; and (iii) No Director or any of his or her associates is involved in deciding his or her own remuneration.
B.1.3 The terms of reference of the remuneration committee should include the following specific duties: (a) to make recommendations to the board on the issuer's policy and structure for all remuneration of directors and senior management and on the establishment of a formal and transparent procedure for remuneration policy; (b) to determine specific remuneration packages of all executive directors and senior management; (c) to review and approve performance-based remuneration; (d) to review and approve the compensation payable to executive directors and senior management in connection with loss or termination of office or appointment; (e) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct; and (f) to ensure that no director is involved in deciding his own remuneration.	✓	The terms of reference of the Remuneration Committee has followed closely the Code requirements. The principal duties of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management, the review of the Company's overall human resources strategy, determination of the specific remuneration packages of all executive Directors and senior management and administration and oversight of the Company's share option and share award scheme in accordance with the terms of the long term incentive scheme of the Company.
B.1.4 The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	✓	The terms of reference of the Remuneration Committee are posted on the website of the Company. A copy of the terms of reference is available on request.

Code Provisions	Compliance	Corporate Governance Practices
B.1.5 The remuneration committee should be provided with sufficient resources to discharge its duties.	✓	The Remuneration Committee has full access to the human resources personnel and senior management if required to obtain any information relating to the human resources structure of the Group so as to facilitate making appropriate remuneration-related recommendations and proposals. The Remuneration Committee also has access to independent professional advice at the Company's expense if considered necessary.
Recommended Best Practices	**Compliance**	**Corporate Governance Practices**
B.1.6 A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.	✓	For the year ended 31 December 2010, the executive Directors' performance-based remuneration related to their executive roles constitutes 80% on average of the total remuneration.
B.1.7 Issuers should disclose details of any remuneration payable to members of senior management on an individual and named basis in their annual reports and accounts.	X	To observe the competitive market practices and to respect individual privacy, the Company did not make such disclosure in its annual report and accounts.
B.1.8 Where the board resolves to approve any remuneration or compensation arrangements which the remuneration committee has previously resolved not to approve, the board must disclose the reasons for its resolution in its next annual report.	N/A	No such resolution for the year ended 31 December 2010.
C. Accountability and audit		
C.1 Financial reporting **Principle** The Board should present a balanced, clear and comprehensive assessment of the Company's performance, position and prospects.		
Code Provisions	**Compliance**	**Corporate Governance Practices**
C.1.1 Management should provide such explanation and information to the board as will enable the board to make an informed assessment of the financial and other information put before the board for approval.	✓	Before the commencement of a new financial year, annual business plan and budget are presented to the Board for approval. To evaluate the performance of the Group, presentation of business review and financial analysis of the Group is made to the Board by the management at Board meetings on a quarterly basis.

Code Provisions	Compliance	Corporate Governance Practices
C.1.2 The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. There should be a statement by the auditors about their reporting responsibilities in the auditors' report on the financial statements. The directors should prepare the accounts on a going concern basis. When the directors are aware of material uncertainties that may cast significant doubt on the issuer's ability to continue as a going concern, such uncertainties should be clearly and prominently set out and discussed in the Corporate Governance Report.	✓	Directors and auditors of the Company have stated their responsibilities on pages 51 and 77 respectively of this annual report. The Board is responsible for the preparation of financial statements of the Company and ensuring that they give a true and fair view of the state of affairs of the Company according to the relevant statutory requirements and accounting standards. The Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.
C.1.3 The board's responsibility to present a balanced, clear and understandable assessment extends to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.	✓	Legal advisers are consulted from time to time to assist the board in ensuring that disclosures in financial reports, announcements and any other reports and statements have presented a balanced, clear and understandable assessment of the position of the Group.
Recommended Best Practices	**Compliance**	**Corporate Governance Practices**
C.1.4 An issuer should announce and publish quarterly financial results within 45 days after the end of the relevant quarter.	X	Please see the "voluntary initiatives – financial reporting" below.
C.1.5 Once an issuer decides to announce and publish its quarterly financial results, it should continue to adopt quarterly reporting for each of the first 3 and 9 months periods of subsequent financial years. Where the issuer decides not to announce and publish its financial results for a particular quarter, it should publish an announcement to disclose the reasons for such decision.	X	Please see the "voluntary initiatives – financial reporting" below.

Voluntary initiatives – financial reporting:

(i) The Group published its interim results and annual results within two months after the end of six-month period and three months after the end of the financial year respectively since the Company's listing on the Stock Exchange in 2007, well before the relevant Listing Rules amendment coming into effect in 2008.

(ii) In order to provide the Shareholders with pertinent information relating to the business and operations of the Company on a more timely basis, since the first quarter of 2009, the Company has voluntarily reported on its quarterly business development.

C.2 Internal controls

Principle

The Board should ensure that the Company maintains sound and effective internal controls to safeguard the Shareholders' investment and the Company's assets.

Code Provisions	Compliance	Corporate Governance Practices
C.2.1 The directors should at least annually conduct a review of the effectiveness of the internal control system of the issuer and its subsidiaries and report to the shareholders that they have done so in their Corporate Governance Report.	✓	The effectiveness of the internal control system (covering financial, operational and compliance controls and risk management functions) and specifically, the progress of internal audit (in various operating aspects such as fixed assets, sales, purchase, wage and production) are reviewed, and their respective weaknesses are identified, at the regular Audit Committee meetings. The findings at such meetings are reported subsequently at Board meetings. This enables the Directors to assess the effectiveness of the internal control system of the Group, which helps manage enterprise risks and improve its mitigation framework. The Board's annual review, in particular, considers the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. During the year, with the help of an independent professional accounting firm, the Group's internal control system has been updated comprehensively. This system comprises 5 elements: control environment, risk assessment, control activities, information and communication, and monitoring. The internal control procedures of the Group include strategic control, management control and business process control. The internal control procedures are designed to safeguard the integrity of business processes (including financial and human assets, data/information and applicable systems), improve business effectiveness and efficiency, improve the quality of information for decision-making, as well as maintain a high standard of corporate governance. The internal control functions are vested in the internal audit team which reports directly to the Audit Committee and the Chief Operating Officer of the Company. Deloitte Touche Tohmatsu, the Company's external auditors, reported on matters concerning internal control of the Group for the year ended 31 December 2010 in accordance with Hong Kong Standards on Auditing to the Audit Committee during its regular meetings.
C.2.2 The board's annual review should, in particular, consider the adequacy of resources, qualifications and experience of staff of the issuer's accounting and financial reporting function, and their training programmes and budget.	✓	Please refer to the disclosure made under C.2.1 in this report.

Recommended Best Practices	Compliance	Corporate Governance Practices
C.2.3 The board's annual review should consider: (a) the changes since the last annual review in the nature and extent of significant risks; (b) the scope and quality of management's ongoing monitoring of risks and of the internal control system; (c) the extent and frequency of the communication of the results of the monitoring to the board which enables it to build up a cumulative assessment of the state of control in the issuer and the effectiveness with which risk is being managed; (d) the incidence of significant control failings or weakness; and (e) the effectiveness of the issuer's processes relating to financial reporting and Listing Rule compliance.	✓	The Company's review has generally covered the aspects as referred to in C.2.3 of the Code.
C.2.4 Issuers should disclose as part of the Corporate Governance Report a narrative statement how they have complied with the code provisions on internal control during the reporting period.	✓	Please refer to the disclosure made under C.2.1 in this report.
C.2.5 Issuers should ensure that their disclosure provide meaningful information and do not give a misleading impression.	✓	Please refer to the disclosure made under C.2.1 in this report.
C.2.6 Issuers without an internal audit function should review the need for one on an annual basis and should disclose the outcome of such review in the issuers' Corporate Governance Report.	N/A	The Company has in place an internal audit function to discharge the duties mentioned in C.2.1 in this report.

C.3 Audit Committee

Principle
The Board should establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.

The Company established the Audit Committee pursuant to a resolution of all Directors passed on 15 June 2007. For the year ended 31 December 2010, the Audit Committee had three members comprising all independent non-executive Directors, namely Mr. Chu Pao-Kuei, Mr. Ng Hak Kim, *JP*., and Mr. Chen Johnny. The chairman of the Audit Committee is Mr. Chu Pao-Kuei.

During the year, two Audit Committee meetings were held, and the attendance records are set out below:

Name	Attendance
Mr. Chu Pao-Kuei	2/2
Mr. Ng Hak Kim, *JP*	2/2
Mr. Chen Johnny	1/2

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

(i) reviewed the effectiveness of financial reporting system;
(ii) established and implemented the accounting system manual;
(iii) reviewed the effectiveness of the internal control and risk management system;
(iv) reviewed the findings of internal audit;
(v) reviewed continuing connected transactions;
(vi) reviewed and discussed interim and annual results; and
(vii) monitored the Group's tax planning.

External Auditors and Auditors' Remuneration
The remuneration paid/payable to the external auditors of the Company, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services provided to the Group for the year ended 31 December 2010 was US$618,000 and US$49,000 respectively. The external auditors will not be employed for non-audit services unless this constitutes permissible non-audit services which should be endorsed by the Audit Committee.

Code Provisions	Compliance	Corporate Governance Practices
C.3.1 Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of audit committee should be sent to all members of the committee for their comment and records respectively within a reasonable time after the meeting.	✓	The Company Secretary is responsible for preparing minutes of all Audit Committee meetings and such minutes have recorded in sufficient detail all matters discussed and resolved at such meetings. Draft minutes are circulated to all members for comment within a reasonable time after each meeting and final version of the minutes is circulated to all the Directors for records.
C.3.2 A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of the issuer's audit committee for a period of 1 year commencing on the date of his ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is the later.	✓	None of the members of the Audit Committee are former partners of the Company's existing auditing firm.

Recommended Best Practices	Compliance	Corporate Governance Practices
C.3.3 The terms of reference of the audit committee should include the duties covering at least the following aspects: (a) Relationship with the issuer's auditors; (b) Review of financial information of the issuer; (c) Oversight of the issuer's financial reporting system and internal control procedures.	✓	The Audit Committee was established with specific written terms of reference which have complied with the Code requirements. The principal duties of the Audit Committee include the review of the relationship with the Company's external auditor, review of the financial information of the Company, oversight of the Company's financial reporting system, internal control and risk management procedures, and the review of the Company's compliance with any applicable laws and regulations. As a voluntary initiative, the Audit Committee meets with the external auditors 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.
C.3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board.	✓	The terms of reference are posted on the website of the Company. A copy of the terms of reference is available on request.
C.3.5 Where the board disagrees with the audit committee's views on the selection, appointment, resignation or dismissal of the external auditors, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reasons why the board has taken a different view.	N/A	During the year, there was no such disagreement, but the Board shall endeavour to comply with the requirement when such situation arises.
C.3.6 The audit committee should be provided with sufficient resources to discharge its duties.	✓	The Audit Committee has full access to the executive Directors, the senior management and internal audit team for any information relating to the Company's financial performance, financial reporting system, internal control system and risk management system 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. In particular, relevant professional advice has been sought for the following matters: (i) establishment of the accounting system manual; (ii) review of internal control and risk management system; (iii) review of the Group's tax structure; (iv) review of the connected transactions manual; and (v) review of the Group's continuing connected transactions.

Recommended Best Practices	Compliance	Corporate Governance Practices
C.3.7 The terms of reference of the audit committee should also require the audit committee: (a) to review arrangements by which employees of the issuer may raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up actions; and (b) to act as the key representative body for overseeing the issuer's relation with the external auditor.	✓	The terms of reference of the Audit Committee have covered the two items as referred to C.3.7 of the Code.
D. Delegation by the Board		
D.1 Management functions **Principle** The Company has established a formal schedule of matters specifically reserved to the Board for its decision. The respective responsibilities of the Board and the management of the Company have been formalised and set out in writing. Such separation of responsibilities has been articulated under A.1 in this report.		
Code Provisions	**Compliance**	**Corporate Governance Practices**
D.1.1 When the board delegates aspects of its management and administration functions to management, it must at the same time give clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the board before making decisions or entering into any commitments on behalf of the issuer.	✓	Management meetings are held periodically where executive Directors and heads and senior management of the respective business divisions are present and clear directions are given as to the powers of management.
D.1.2 An issuer should formalise the functions reserved to the board and those delegated to management. It should review those arrangements on a periodic basis to ensure that they remain appropriate to the needs of the issuer.	✓	Please refer to the disclosure made under A.1 in this report.

Recommended Best Practices	Compliance	Corporate Governance Practices
D.1.3 An issuer should disclose the division of responsibility between the board and management to assist those affected by corporate decisions to better understand the respective accountabilities and contributions of the board and management.	✓	Executive Directors assume the day-to-day management functions in their respective business divisions in the Group so that those affected by corporate decisions in each business division are fully aware of the division of responsibilities between the Board and the management.
D.1.4 Directors should clearly understand delegation arrangements in place. To that end, issuers should have formal letters of appointment for directors setting out the key terms and conditions relative to their appointment.	✓	The respective responsibilities of the Board and the management of the Company have been formalised and set out in writing.
D.2 Board Committees **Principle** Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.		
Code Provisions	**Compliance**	**Corporate Governance Practices**
D.2.1 Where board committees are established to deal with matters, the board should prescribe sufficiently clear terms of reference to enable such committees to discharge their functions properly.	✓	The Board committees were established with their respective specific terms of reference.
D.2.2 The terms of reference of board committees should require such committees to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	✓	This requirement is satisfied in the respective terms of reference of each Board committee of the Company.
E. Communication with Shareholders E.1 Effective communication **Principle** The Board endeavours to maintain an on-going dialogue with the Shareholders and in particular, use annual general meetings or other general meetings, financial reports and corporate websites to communicate with the Shareholders. In addition, the Company's spokesmen meet with research analysts and the press on a regular basis, attend major investors' conferences and participate in international non-deal roadshow in order to maintain a continuing communication with the institutional analysts, investors and financial media.		
Code Provisions	**Compliance**	**Corporate Governance Practices**
E.1.1 In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting.	✓	In the annual general meeting held on 7 May 2010 ("2010 AGM"), separate resolutions were proposed by the chairman of the meeting in respect of each substantially separate issue in accordance with E.1.1 of the Code.

Code Provisions	Compliance	Corporate Governance Practices
E.1.2 The chairman of the board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees to be available to answer questions at the annual general meeting. The chairman of the independent board committee should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.	Partially complied with	The Chairman had not attended the 2010 AGM. Instead, Mr. Shih Takuen, Daniel, the Deputy Chairman, took the chair at the 2010 AGM, and the chairman or member of each of the Audit, Corporate Governance, Remuneration and Nomination Committees attended the 2010 AGM to answer Shareholders' questions. The reason for such arrangement is that the Board has allocated different responsibilities to the Chairman and the Deputy Chairman. Please refer to the disclosure made under A.2 in this report.
E.1.3 The issuer should arrange for the notice to shareholders to be sent in the case of annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days in the case of all other general meetings.	✓	For the 2010 AGM, the notices to Shareholders were sent more than 20 clear business days before the meeting.
E.2 Voting by Poll **Principle** The Company should ensure that Shareholders are familiar with the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company.		
Code Provisions	**Compliance**	**Corporate Governance Practices**
E.2.1 The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of the detailed procedures for conducting a poll and then answer any questions from shareholders regarding voting by way of a poll.	✓	Detailed explanation regarding the procedures for demanding poll by Shareholders had been provided at the commencement of the 2010 AGM.

DIRECTORS' AND AUDITORS' 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 system of internal control of the Group for the year under review.

The external auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year under review.

We have a dedicated senior management team with in-depth industry knowledge and an established track record, upholding the core values and culture of Stella and an experienced non-executive board of diversified background and competencies.

EXECUTIVE DIRECTORS

Mr. CHIANG Jeh-Chung, Jack, aged 60, is the Chairman of the Board and an Executive Director of the Company. Mr. Chiang has been with the Group since 1983 and is one of the founders of the Group. He is responsible for the Group's design, development, marketing and customer relationship. Mr. Chiang has over 28 years of experience in new product development and management in the footwear industry. He is the uncle of the Executive Director, Mr. Chi Lo-Jen, and is the brother-in-law of the Chief Operating Officer of the Group, Mr. Shieh Tung-Pi, Billy. He is indirectly interested in the issued share capital of Cordwalner Bonaventure Inc., the controlling shareholder of the Company. He is also a director of Stella International Marketing Company Limited, which is a subsidiary of the Company.

Mr. SHIH Takuen, Daniel, aged 59, is the Deputy Chairman of the Board, an Executive Director of the Company, the chairman of the Corporate Governance Committee and a member of the Nomination Committee and the Remuneration Committee of the Board. Mr. Shih has been with the Group since 2007. He is responsible for the Group's business development strategy, leadership development, and retail business operations. Prior to joining the Group, he was the chairman of PepsiCo (China) Investment Ltd. since 2006 and president of Motorola (China) Electronics Ltd. from 2003 to 2006. Since May 2010, he has been appointed as an Independent Director of China Medicine Corporation, the shares of which are listed on the NASDAQ (OTC Bulletin Board: CHME). Mr. Shih holds a Master of Science degree from University of Cincinnati, the United States and an honorary doctorate degree of commerce from West Alabama University, the United States. He is also a director of N.O.I. Trading Company Limited, Stella Fashion (HK) Limited, Stella Fashion Group Limited, Stella Fashion Tech (HK) Limited, Stella International Design Services Limited, Stella Luna Sol Limited. Stellaluna (Thailand) Co., Ltd. and 興記時尚貿易(上海)有限公司 (Stella Fashion Inc.), all of which are subsidiaries of the Company. Mr. Shih is the brother-in-law of the Executive Director, Mr. Chen Li-Ming, Lawrence. He is indirectly interested in the issued share capital of Cordwalner Bonaventure Inc., the controlling shareholder of the Company.

Mr. CHAO Ming-Cheng, Eric, aged 59, is an Executive Director of the Company. Mr. Chao has been with the Group since 1982 and is one of the founders of the Group. He is responsible for factory management and setting up new manufacturing facilities. Mr. Chao has over 28 years of experience in management in the footwear industry. He holds a Bachelor of Commerce degree from the Tunghai University, Taiwan. He is indirectly interested in the issued share capital of Cordwalner Bonaventure Inc., the controlling shareholder of the Company. He is also a director of Bestsource Technology Limited, Bestsource Technology (Macao Commercial Offshore) Limited, Big Strength Limited, Mission High Limited, Modern Novel Limited, Sapphire Technology Group Limited, and 龍川興萊鞋業有限公司 (Longchuan Simona Footwear Co. Ltd.), all of which are subsidiaries of the Company.

Mr. CHEN Li-Ming, Lawrence, aged 50, is an Executive Director of the Company and the Chief Executive Officer of the Group. Mr. Chen has been with the Group since 1985. He has been responsible for the Group's corporate management. He has over 25 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. Mr. Chen is the brother-in-law of the Executive Director, Mr. Shih Takuen, Daniel. He is a director of Cordwalner Bonaventure Inc., the controlling shareholder of the Company. He is also indirectly interested in the issued share capital of Cordwalner Bonaventure Inc.. He is also a director of Bestsource Technology Limited, Bestsource Technology (Macao Commercial Offshore) Limited, Big Strength Limited, Mission High Limited, Modern Novel Limited, N.O.I. (Macau) Company Limited, N.O.I. Trading Company Limited, Rigel Footwear Company Limited, Sapphire Technology Group Limited, Stella Fashion (HK) Limited, Stella Fashion Group Limited, Stella Fashion Tech (HK) Limited, Stella Luna Sol Limited, Stella Services Limited, Subra Footwear Company Limited, 東莞興昂鞋業有限公司 (Dongguan Stella Footwear Co. Ltd.), 龍川興萊鞋業有限公司 (Longchuan Simona Footwear Co. Ltd.) and 興記時尚貿易（上海）有限公司 (Stella Fashion Inc.), all of which are subsidiaries of the Company.

Mr. CHI Lo-Jen, aged 39, is an Executive Director of the Company. Mr. Chi joined the Group in 1995 and is the Chief Operating Officer of the Women's Footwear Business Division of the Group. He is responsible for the supervision of the daily operations and business development of women's footwear business. Mr. Chi is also responsible for product design and development. He has over 15 years of experience in the footwear industry. Mr. Chi is the nephew of the Chairman of the Board, Mr. Chiang Jeh-Chung, Jack. He is indirectly interested in the issued share capital of Cordwalner Bonaventure Inc., the controlling shareholder of the Company. He is also a director of Stella International Design Services Limited, which is a subsidiary of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHU Pao-Kuei, aged 79, is an Independent Non-executive Director of the Company and 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. Chu studied at the National Taiwan University. He is one of the founders of KPMG Taiwan, and was also a partner of KPMG International. Mr. Chu has been a managing partner in charge of the tax department of KPMG Taiwan for over 20 years. Currently he is an independent director of Yuanta Securities Company Limited and convener of its audit committee, a supervisor of Sesoda Corporation and an independent supervisor of ReaLy Development & Construction Corp.. In addition, Mr. Chu was a member for the following committees in Taiwan: the Finance and Taxation Group of Economic Reform Committee of the Executive Yuan, the Gre Tai Securities Market Committee of Taipei Securities Association and the Transportation Fare Committee of the Ministry of Transportations and Communications. Before he retired in 2005, Mr. Chu had been a member of the Taiwan Provincial Association of Certified Public Accountants, Republic of China, and a member of Taipei Certified Public Accountants Association since 1967. Mr. Chu has been appointed as an Independent Non-executive Director of the Company since June 2007.

Mr. NG Hak Kim, *JP, FHKIHRM, FHKIoD, FHKMA*, aged 58, is an Independent Non-executive Director of the Company, 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. Ng holds a Bachelor of Social Science degree from the Chinese University of Hong Kong and a Master of Social Science degree from the University of Hong Kong. He is a Fellow Member of Hong Kong Institute of Directors and The Hong Kong Management Association, and the chairman of Human Capital Management Consulting Ltd and Adjunct Professor at the Hong Kong Baptist University. Mr. Ng was the President of the World Federation of Personnel Management Associations from 2000 to 2002 and has been the President of Asia Pacific Federation of Human Resource Management for three years. He is a Fellow Member of Hong Kong Institute of Human Resource Management and has been the President for five years. He has been in the human resource profession for over 28 years. Prior to his last role up to January 2007 as Head of Human Resources for Macquarie Securities Asia, he had extensive human resources management experience with multinational corporations including JPMorgan Chase, Jardine Fleming, AT&T and Citibank, N.A. and industrial corporations including Motorola and Lucent Technology. His professional and community services include, among others, serving as the Chairman of the Hong Kong Examination and Assessment Authority, the ex-Deputy Council Chairman and Chairman of Staff Committee of the Hong Kong Institute of Education, a member of the Audit Committee and Remuneration Committee of Hong Kong Housing Society, a member of Council, Strategic Planning Committee and Finance Committee and Chairman of Audit Sub-Committee of Hong Kong Housing Authority, a member of the Independent Police Complaints Council and chairman of its Management Committee, a member of the Government's Business Facilitation Advisory Committee, a member of Community Board of Directors（社會董事）of the Global Local MBA program (GLMBA) of Shanghai University's MBA Center and Global Management Education Institute and the Honourable Professor of Shanghai University's MBA Center. Mr. Ng has been appointed as an Independent Non-executive Director of the Company since June 2007.

Mr. CHEN Johnny, aged 51, is an Independent Non-executive Director of the Company, and the chairman of the Nomination Committee and a member of the Audit Committee of the Board. Mr. Chen is currently the Chief Executive Officer, Asia Pacific General Insurance of Zurich Financial Services Ltd ("Zurich"). Mr. Chen is also a member of the Zurich's leadership team and the Asia Pacific Executive Committee. From 2007 to 2010, Mr. Chen was the Chief Executive Officer of Greater China and South East Asia. From 2005 to 2007, Mr. Chen was the Chief Executive Officer of Greater China region. Prior to joining Zurich, Mr. Chen was an executive member of the Greater China Management Board and of the Operating Committee of PricewaterhouseCoopers ("PwC"). He was also the Managing Partner of PwC's Beijing office. Mr. Chen has also been a Director of the American Chamber of Commerce in China since 1995. Since June 2010, Mr. Chen has been appointed as an Independent Non-executive Director of Viva China Holdings Limited (formerly known as Coolpoint Energy Limited) (Stock Code: 8032), the shares of which are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Mr. Chen received a master's degree in accounting from the University of Rhode Island and is a U.S. qualified CPA since 1986. Mr. Chen has been appointed as an Independent Non-executive Director of the Company since February 2009.

Mr. BOLLIGER Peter, aged 66, is an Independent Non-executive Director of the Company. Mr. Bolliger had extensive experience in retail business with renowned department stores. From 1990 to 1994, he was the managing director of Harrods, London, the director of House of Fraser Plc and the chairman of Kurt Geiger, London (which is one of the leading luxury footwear retailers in Europe). Prior to these appointments, he had served at shoes companies, such as the managing director of A & D Spitz (Pty) Ltd., South Africa (1982 to 1990) and the managing director of Bally Shoes, Scandinavian Division, Denmark. In 1994, he joined Clarks and became the chief executive in 2002 until his retirement in May 2010. He is currently an independent non-executive director of GrandVision B.V., the second largest optical retail company in the world. Mr. Bolliger has been appointed as Independent Non-executive Director of the Company since October 2010.

SENIOR MANAGEMENT

Mr. SHIEH Tung-Pi, Billy, aged 53, is the Chief Operating Officer of the Group. Mr. Shieh has been with the Group since 1982. Mr. Shieh has over 28 years of experience in the footwear industry. He holds a Certificate of Tourism Management from the Tansui Institute of Industrial and Business Administration (now known as the Aletheia University), Taiwan. Mr. Shieh is the brother-in-law of the Chairman of the Board, Mr. Chiang Jeh-Chung, Jack. He is indirectly interested in the issued share capital of Cordwalner Bonaventure Inc., the controlling shareholder of the Company. He is also a director of Bestsource Technology Limited, Bestsource Technology (Macao Commercial Offshore) Limited, Big Strength Limited, Mission High Limited, Modern Novel Limited, N.O.I. Trading Company Limited, Rigel Footwear Company Limited, Sapphire Technology Group Limited, Stella Footwear Inc., Stella Luna Sol Limited, Subra Footwear Company Limited and 東莞興昂鞋業有限公司 (Dongguan Stella Footwear Co. Ltd.), all of which are subsidiaries of the Company. He was an Executive Director of the Company since June 2007 until his resignation on 19 August 2010.

Mr. LEE Kwok Ming, aged 53, is the Chief Financial Officer of the Group. He joined the Group in June 2006 and is responsible for the overall financial function of the Group. Prior to joining the Group, Mr. Lee assumed the position of chief financial officer in a number of listed companies in Hong Kong. Mr. Lee holds a Higher Diploma in Accountancy from the Hong Kong Polytechnic and a Master of Science degree in Business Administration from the University of Bath, United Kingdom. Mr. Lee is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Chartered Institute of Management Accountants. Mr. Lee is also a director of Stella International Design Services Limited and Stellaluna (Thailand) Co., Ltd, both of which are subsidiaries of the Company.

Mr. CHANG Ching-Hung, aged 50, is the Vice President of the Men's Footwear Business Division of the Group. Mr. Chang has been with the Group since 1985. Mr. Chang has over 24 years of experience in the footwear industry. He holds a Bachelor of Civil Engineering degree from the Chung Yuan Christian University, Taiwan. He is also a director of Pollux Footwear Company Limited, 龍川興萊鞋業有限公司 (Longchuan Simona Footwear Co. Ltd.) and 廣西興萊鞋業有限公司 (GuangXi Simona Footwear Co. Ltd.), all of which are subsidiaries of the Company.

Mr. CHEN Tung-Jui, aged 49, is the Vice President of the Men's Footwear Business Division of the Group. Mr. Chen has been with the Group since 1985. He has over 25 years of experience in the footwear industry. He is also a director of Pollux Footwear Company Limited and 廣西興萊鞋業有限公司 (GuangXi Simona Footwear Co. Ltd.), both of which are subsidiaries of the Company.

Mr. HUANG Wei-Ming, aged 41, is the Chief Operating Officer of the Men's Footwear Business Division of the Group. Mr. Huang has been with the Group since 1993. Mr. Huang has over 17 years of experience in the footwear industry. He holds a Bachelor of Arts degree in Liberal Arts and Sciences with a major in International Business from the San Diego State University, the United States.

Mr. CHANG Chen-Ou, aged 54, is the Deputy General Manager of the Men's Footwear Business Division of the Group. Mr. Chang joined the Group in 1994. Mr. Chang has over 25 years of experience in the footwear industry. He holds a Certificate of International Trade from the Tansui Institute of Industrial and Business Administration (now known as the Aletheia University), Taiwan.

Mr. CHU Chao-Min, aged 51, is the Deputy General Manager of Men's Footwear Business Division of the Group. Mr. Chu joined the Group in 1996 and he was assigned to Vietnam in 2002 to supervise the Group's production there. Prior to joining the Group, he served in various footwear companies such as 東立產業股份有限公司 (Tong Li Realty Ltd.). Mr. Chu has over 17 years of experience in the footwear industry. He holds a Bachelor of Commerce degree from the Feng Chia University, Taiwan. He is also a director of Subra Footwear Company Limited, which is a subsidiary of the Company.

Mr. TSENG Chung-Chieh, aged 54, is the Head of Trading Division of the Group. Mr. Tseng joined the Group in 2000 and was appointed to the current position in 2006. Prior to joining the Group, he served as country manager in China of Harbor Footwear Group, Ltd.. Mr. Tseng has over 16 years of experience in the footwear industry. He holds a Certificate of Business Administration from the Kuochi Commercial Junior College, Taiwan.

Ms. HU Shyh-Wen, aged 54, is the Deputy General Manager in Sales of Retail Business of the Group. Ms. Hu joined the Group in 2008. Prior to joining the Group, she worked with Meala International Taiwan Ltd., Elizabeth Arden Trading B.V., Hearts on Fire Company (Taiwan), Core Pacific City Co., Ltd. (Taiwan) and Elca Inc. (Taiwan). Ms. Hu has over 26 years of experience in the retail industry. She holds a Bachelor of Journalism degree from the Shih Hsin University, Taiwan. She is also a director of 興記時尚貿易(上海)有限公司 (Stella Fashion Inc.), which is a subsidiary of the Company.

Directors' Report


ALUNA
STELLALUNA
NEW ARRIVAL

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 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the Group are development, manufacturing, sale and retailing of footwear products. Particulars of the principal activities of the Company's subsidiaries are set out in note 34 to the consolidated financial statements of the Group for the year ended 31 December 2010.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 79.

The Board recommended the payment of a final dividend of HK53 cents per ordinary share to shareholders of the Company (the "Shareholders") for the year ended 31 December 2010. The proposed final dividend, amounting to approximately US$54.0 million, will be paid to Shareholders whose names appear on the register of members of the Company on 6 May 2011, if the proposal is approved by the Shareholders at the forthcoming annual general meeting. It is expected that the final dividend will be paid on or about 20 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 May 2011 to 6 May 2011 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend for the year ended 31 December 2010 and attending and voting at the forthcoming annual general meeting, 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 4:00 p.m. on 3 May 2011.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company during the year are set out in the statement of changes in equity of the Group and note 33 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to Shareholders as at 31 December 2010 were US$285.3 million (2009: US$271.7 million).

DIRECTORS

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

Executive Directors:

Mr. Chiang Jeh-Chung, Jack	
Mr. Shih Takuen, Daniel	
Mr. Chao Ming-Cheng, Eric	
Mr. Chen Li-Ming, Lawrence	
Mr. Shieh Tung-Pi, Billy	(resigned on 19 August 2010)
Mr. Chi Lo-Jen	

Independent Non-executive Directors:

Mr. Chu Pao-Kuei	
Mr. Ng Hak Kim, *JP*	
Mr. Chen Johnny	
Mr. Bolliger Peter	(appointed on 1 October 2010)

In accordance with article 86(3) of the Company's articles of association, Mr. Bolliger Peter will hold office until the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with article 87(1) of the Company's articles of association, Mr. Chiang Jeh-Chung, Jack, Mr. Chen Li-Ming, Lawrence and Mr. Ng Hak Kim, *JP* will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting 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).

CONTRACTS OF SIGNIFICANCE

Save for the related party transactions disclosed in note 32 to the consolidated financial statements and the transactions described in the section headed "Continuing Connected Transactions" in this report, 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.

Save for the related party transactions disclosed in note 32 to the consolidated financial statements and the transactions described in the section headed "Continuing Connected Transactions" in this report, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DISCLOSURE OF INTERESTS

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

As at 31 December 2010, the interests and short positions of the then Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Cap.571 of the Laws of Hong Kong), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or was required to be recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules were as follows:

Aggregate long positions in shares and underlying shares of the Company

Director	Capacity/ Nature of Interests	Number of Shares Personal Interest	Corporate Interest	Number of Underlying Shares *(Note 1)*	Total	Approximate Percentage of Shareholding
Chao Ming-Cheng, Eric	Beneficial owner and interest of controlled corporation	130,500	26,205,289 *(Note 2)*	108,000	26,443,789	3.33%
Chen Li-Ming, Lawrence	Beneficial owner and interest of controlled corporation	82,000	21,921,870 *(Note 3)*	68,000	22,071,870	2.78%
Chi Lo-Jen	Beneficial owner	151,000	–	132,500	283,500	0.04%
Chiang Jeh-Chung, Jack	Beneficial owner and interest of controlled corporation	185,000	28,551,674 *(Note 4)*	146,500	28,883,174	3.64%
Shih Takuen, Daniel	Beneficial owner	206,500	–	201,500	408,000	0.05%
Bolliger Peter *(Note 5)*	Beneficial owner	150,000	–	–	150,000	0.02%

Notes:

1. These interests are Restricted Unit Awards (as defined under "Long Term Incentive Scheme" below) granted but not yet vested under the Scheme (as defined under "Long Term Incentive Scheme" below).

2. These interests are held by a company, the entire issued share capital of which was held by Mr. Chao Ming-Cheng, Eric. Mr. Chao Ming-Cheng, Eric was deemed to be interested in the shares of the Company in which that company was interested by virtue of the SFO.

3. These interests are held by a company, the entire issued share capital of which was held by Mr. Chen Li-Ming, Lawrence. Mr. 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.

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

5. Mr. Bolliger Peter was appointed as an independent non-executive Director on 1 October 2010.

Save as disclosed above, as at 31 December 2010, none of the then Directors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or its associated corporation which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or was required to be recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2010, the interests and short positions of the then shareholders of the Company (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:–

Long position in the shares of the Company:

Name	Capacity/ Nature of interest	Number of shares	Approximate percentage of shareholding
Cordwalner Bonaventure Inc.	Beneficial owner	299,894,455	37.75%
Capital Research and Management Company	Investment manager	55,678,500	7.01%

Save as disclosed above, as at 31 December 2010, no person (other than a Director or chief executive of the Company whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above), had an interest or short position in the shares or underlying shares of the Company that were required to be recorded in the register required to be kept by the Company under section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO.

CONTINUING CONNECTED TRANSACTIONS

Certain related party transactions as disclosed in note 32 to the consolidated financial statements also constituted continuing connected transactions within the meaning of the Listing Rules. Details of such transactions are summarised below:–

Supply of footwear products to Mountain Gear Ltd. ("Mountain Gear") and its subsidiaries ("Mountain Gear Group") (Item 1)

Connected person: Mountain Gear Group is ultimately owned as to 45% by Mr. Chen Li-Ming, Lawrence ("Mr. Chen"). Since Mountain Gear Group is an associate (as defined under the Listing Rules) of Mr. Chen who was our Director for the year ended 31 December 2010, Mountain Gear Group is therefore a connected person of the Company.

Connected transaction: On 21 August 2009, the Group entered into a master supply agreement (the "Mountain Gear Master Supply Agreement") with Mountain Gear for the supply of footwear products to the Mountain Gear Group by the Group for a term from 21 August 2009 to 31 December 2011, with an option for the Group to renew for successive terms of three years. The transactions contemplated under the Mountain Gear Master Supply Agreement constitute continuing connected transactions under Rule 14A.14 of the Listing Rules.

Supply in 2010: The Group supplied footwear products to Mountain Gear Group amounting to US$1,507,000, which did not exceed the aggregate annual cap of US$4,300,000 for the year ended 31 December 2010.

Supply of footwear products to Ace Opportunity Ltd. ("Ace Opportunity") and its subsidiaries ("Ace Opportunity Group") (Item 2)

Connected person: Ace Opportunity Group is ultimately owned as to 66.7% by Mr. Chen. Since Ace Opportunity Group is an associate (as defined under the Listing Rules) of Mr. Chen who was our Director for the year ended 31 December 2010, Ace Opportunity Group is therefore a connected person of the Company.

Connected transaction: On 24 November 2009, the Group entered into a master supply agreement (the "Ace Opportunity Master Supply Agreement") with Ace Opportunity for the supply of footwear products to the Ace Opportunity Group by the Group for a term of three years from 1 January 2010 to 31 December 2012, with an option for the Group to renew for successive terms of three years. The transactions contemplated under the Ace Opportunity Master Supply Agreement constitute continuing connected transactions under Rule 14A.14 of the Listing Rules.

Supply in 2010: The Group supplied footwear products to Ace Opportunity Group amounting to US$1,009,000, which did not exceed the aggregate annual cap of US$4,500,000 for the year ended 31 December 2010.

Purchase of footwear products from 惠州興昂鞋業有限公司 (Huizhou Stella Footwear Co. Ltd.) ("Huizhou Stella") (Item 3)

Connected person: Huizhou Stella is ultimately wholly owned by Mr. Chen. Since Huizhou Stella is an associate (as defined under the Listing Rules) of Mr. Chen who was our Director for the year ended 31 December 2010, Huizhou Stella is therefore a connected person of the Company.

Connected transaction: On 24 November 2009, the Group entered into a processing agreement (the "Huizhou Stella Processing Agreement") with Huizhou Stella for the processing, manufacture and supply of footwear products from Huizhou Stella for a term of three years from 1 January 2010 to 31 December 2012.

Purchase in 2010: The Group purchased footwear products from Huizhou Stella amounting to US$79,000, which did not exceed the aggregate annual cap of US$3,000,000 for the financial year ended 31 December 2010.

Purchase of lasts from 東莞興和塑膠制品有限公司 (Sabina Footwear Co. Ltd.) ("Sabina") (Item 4)

Connected person: Sabina is ultimately wholly owned by Mr. Chen. Since Sabina is an associate (as defined under the Listing Rules) of Mr. Chen who was our Director for the year ended 31 December 2010, Sabina is therefore a connected person of the Company.

Connected transaction: The ongoing purchase of lasts by the Group from Sabina as governed under a framework purchase agreement (the "Sabina Framework Purchase Agreement") dated 21 May 2007 with Sabina expiring on 31 December 2009 and renewable for a three-year term constitutes continuing connected transactions under Rule 14A.14 of the Listing Rules. On 24 November 2009, the Group and Sabina had agreed to the automatic renewal of the Sabina Framework Purchase Agreement for a three-year term commencing from 1 January 2010 and ending on 31 December 2012.

Purchase in 2010: The Group did not purchase any lasts from Sabina for the financial year ended 31 December 2010.

Purchase of molds from 東莞興立精密模具有限公司 (Sincerely International Ltd.) ("Sincerely") (Item 5)

Connected person: Sincerely is ultimately wholly owned by Mr. Chen. Since Sincerely is an associate (as defined under the Listing Rules) of Mr. Chen who was our Director for the year ended 31 December 2010, Sincerely is therefore a connected person of the Company.

Connected transaction: The ongoing purchase of molds by the Group from Sincerely as governed under a framework purchase agreement (the "Sincerely Framework Purchase Agreement") dated 21 May 2007 with Sincerely expiring on 31 December 2009 and renewable for a three-year term constitutes continuing connected transactions under Rule 14A.14 of the Listing Rules. On 24 November 2009, the Group and Sincerely had agreed to the automatic renewal of the Sincerely Framework Purchase Agreement for a three-year term commencing from 1 January 2010 and ending on 31 December 2012.

Purchase in 2010: The Group purchased molds from Sincerely amounting to US$4,177,000, which did not exceed the aggregate annual cap of US$4,500,000 for the financial year ended 31 December 2010.

Purchase of tannery products from 興昂制革（惠州）有限公司 (Simona Tannery Co. Ltd.) ("Simona Tannery") (Item 6)

Connected person: Simona Tannery is ultimately wholly owned by Mr. Chen. Since Simona Tannery is an associate (as defined under the Listing Rules) of Mr. Chen who was our Director for the year ended 31 December 2010, Simona Tannery is therefore a connected person of the Company.

Connected transaction: The ongoing purchase of tannery by the Group from Simona Tannery as governed under a framework purchase agreement (the "Simona Tannery Framework Purchase Agreement") dated 21 May 2007 with Simona Tannery expiring on 31 December 2009 and renewable for a three-year term constitutes continuing connected transactions under Rule 14A.14 of the Listing Rules. On 24 November 2009, the Group and Simona Tannery had agreed to the automatic renewal of the Simona Tannery Framework Purchase Agreement for a three-year term commencing from 1 January 2010 and ending on 31 December 2012.

Purchase in 2010: The Group purchased tannery from Simona Tannery amounting to US$34,117,000, which did not exceed the aggregate annual cap of US$35,000,000 for the financial year ended 31 December 2010.

Purchase of sole materials from 東莞興泰鞋材有限公司 (Sanford International Co. Ltd.) ("Sanford") (Item 7)
Connected person: Sanford is ultimately wholly owned by Mr. Chen. Since Sanford is an associate (as defined under the Listing Rules) of Mr. Chen who was our Director for the year ended 31 December 2010, Sanford is therefore a connected person of the Company.

Connected transaction: The ongoing purchase of sole materials by the Group from Sanford as governed under a framework purchase agreement (the "Sanford Framework Purchase Agreement") dated 21 May 2007 with Sanford expiring on 31 December 2009 and renewable for a three-year term constituted continuing connected transactions under Rule 14A.14 of the Listing Rules. On 24 November 2009, the Group and Sanford had agreed to the automatic renewal of the Sanford Framework Purchase Agreement for a three-year term commencing from 1 January 2010 and ending on 31 December 2012.

Purchase in 2010: The Group purchased sole materials from Sanford amounting to US$8,265,000, which did not exceed the aggregate annual cap of US$8,500,000 for the financial year ended 31 December 2010.

Purchase of sole materials from 東莞興騰鞋材有限公司 (Dongguan Xintan Footwear Co. Ltd.) ("Xintan") (Item 8)
Connected person: Xintan is ultimately wholly owned by Mr. Chen. Since Xintan is an associate (as defined under the Listing Rules) of Mr. Chen who was our Director for the year ended 31 December 2010, Xintan is therefore a connected person of the Company.

Connected transaction: The ongoing purchase of sole materials by the Group from Xintan as governed under a framework purchase agreement (the "Xintan Framework Purchase Agreement") dated 21 May 2007 with Xintan expiring on 31 December 2009 and renewable for a three-year term constituted continuing connected transactions under Rule 14A.14 of the Listing Rules. On 24 November 2009, the Group and Xintan had agreed to the automatic renewal of the Xintan Framework Purchase Agreement for a three-year term commencing from 1 January 2010 and ending on 31 December 2012.

Purchase in 2010: The Group purchased sole materials from Xintan amounting to US$25,701,000, which did not exceed the aggregate annual cap of US$26,000,000 for the financial year ended 31 December 2010.

Compliance with the Reporting, Announcement and Independent Shareholders' Approval Requirements

Under the Listing Rules, the continuing connected transactions described in Items 1 to 5 (Items 4 and 5 on an aggregated basis) above would require compliance with the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules; and Items 6 to 8 (on an aggregated basis) above would require compliance with the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules as well as independent Shareholders' approval requirements set out in Rule 14A.48 of the Listing Rules.

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

Report of the auditors on certain procedures in respect of the continuing connected transactions of the Group to the Board

Pursuant to Rule 14A.38 of the Listing Rules, the Board has engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group. The auditors have reported their factual findings on these procedures to the Board. The auditors of the Company have confirmed that the continuing connected transactions have received the approval of the Board, the selling prices to the connected party for those samples selected were within the range of those charged to independent third parties for similar transactions and therefore were in accordance with the pricing policy of the Company (for Items 1 and 2 which involve provision of goods by the Group), have been entered into in accordance with the relevant agreements governing the transactions and have not exceeded their respective annual caps. The independent non-executive Directors have, for the purpose of Rule 14A.37 of the Listing Rules, reviewed all continuing connected transactions and the report of the auditors and have confirmed that all continuing connected transactions have been entered into by the Group in the ordinary and usual course of its business, on normal commercial terms and in accordance with the terms of the agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Mr. Chen Li-Ming, Lawrence, an executive Director and chief executive officer of the Company, is indirectly interested in 45% and approximately 66.7% of the issued share capital of Mountain Gear Limited and Ace Opportunity Limited respectively. Both Mountain Gear Limited and Ace Opportunity Limited are investment holding companies with their respective subsidiaries principally engaged in the sales and distribution of footwear products.

Save as disclosed above, as at 31 December 2010, none of the Directors and his associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

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 promotion 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 statistics.

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.

LONG TERM INCENTIVE SCHEME

A long term incentive scheme (the "Scheme") was conditionally approved by a written resolution of the Shareholders of the Company passed on 15 June 2007 and was adopted by a resolution of the Board on 15 June 2007 and as further amended by a resolution of the duly authorised committee of the Board on 18 June 2007. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules, where appropriate.

The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees, directors, Shareholders of any member of the Group or any holder of any securities issued by any member of the Group, and to promote the success of the Group.

The Board may, at its discretion and on such terms as it may think fit, grant to an employee, a director and any shareholder of any member of the Group or any holder of any securities issued by any member of the Group an award ("Award"), either in the form of or a combination of (1) an option ("Option(s)") to subscribe for shares of the Company ("Shares"), (2) an award of Shares ("Restricted Share Award(s)") held in the name of or for the benefit of a grantee in accordance with the restricted share award agreement to be entered into by such grantee and the Company or (3) a grant of a conditional right to acquire Shares ("Restricted Unit Award(s)") as the Board may determine in accordance with the terms of the Scheme.

The basis of eligibility of any participant to the grant of any Award shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

The Board proposed to amend the Scheme to extend the eligibility of participant to include also advisers or consultants to any area of business or business development of any members of the Group, the details of which are disclosed in the circular of the Company to be despatched on 30 March 2011. The aforesaid amendment shall be subject to Shareholders' approval at the forthcoming annual general meeting.

The Scheme shall be valid and effective for a period of 10 years commencing from 6 July 2007, after which period no further Awards may be offered or granted. The Board shall, subject to the rules of the Scheme and the Listing Rules, have the right to determine, among others, the exercise price of an Option, the minimum period for which the Award must be held before its vesting, performance, operating and financial targets and other criteria to be satisfied before the vesting of an Award and other terms and conditions of an Award, provided that, in respect of an Award of Option, the exercise price of an Option shall be a price determined by the Board at its absolute discretion but shall not be less than the highest of (i) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of offer; (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of the offer; or (iii) the nominal value of the Shares on the date of offer.

Subject to the Listing Rules, the overall limit on the number of Shares subject to Awards from time to time under the Scheme and any other schemes must not, in aggregate, exceed 30% of the Shares in issue from time to time (i.e. 238,313,850 Shares as at the date of this annual report) (the "Overriding Limit").

The total number of Shares available for issue or transfer in satisfaction of all Awards which may be granted under the Scheme and any other schemes of the Company must not, in aggregate, exceed 10% of the Shares in issue as at the effective date of the Scheme (i.e. 78,000,000 Shares), subject to an annual cap, renewable by Shareholders in general meeting, of no more than 5% of the total issued share capital of the Company as at the beginning of each such financial year that may be issued by the Company to satisfy Restricted Share Awards or Restricted Unit Awards (the "Mandate Limit"). The Mandate Limit is also subject to the Overriding Limit and the refreshing of the Mandate Limit (as described below) and granting of Awards beyond the Mandate Limit (as described below).

Subject to the Overriding Limit and granting of Awards beyond the Mandate Limit (as described below), the Company may refresh the Mandate Limit at any time subject to Shareholders' approval by ordinary resolution in general meeting, which must not exceed 10% of the Shares in issue as at the date of the aforesaid Shareholders' approval or such other limits imposed by the Stock Exchange.

Subject to the Overriding Limit, the Company may also seek separate Shareholders' approval by ordinary resolution in general meeting for granting Awards beyond the Mandate Limit provided that the Awards in excess of the Mandate Limit are granted only to participants specifically identified by the Company before such approval is sought.

The total number of Shares issued and to be issued upon exercise of Options or vesting of Awards granted and to be granted to each participant or grantee (including exercised, cancelled and outstanding Options, and vested and outstanding Awards) in any 12-month period shall not exceed 1% of the Shares in issue at the offer date of the Awards. Any further grant of Awards in excess of the above limit must be subject to Shareholders' approval by ordinary resolution in general meeting with such participant or grantee and his, her or its associates abstaining from voting. The Board will determine the minimum period, if any, for which an Award must be held before it vests and any other conditions in relation to dealing with Shares on vesting. Where any offer proposed to be made to a substantial Shareholder or an independent non-executive Director of the Company or any of his associates would result in the total number of Shares issued or to be issued to satisfy Awards already granted or to be granted to such person in any 12-month period up to and including the date of offer: (i) representing in aggregate over 0.1% of the Shares in issue at the date of offer; and (ii) having an aggregate value, based on the closing price of the Shares at the date of offer, in excess of HK$5 million, then such offer and any acceptance thereof must be subject to approval of the Shareholders in general meeting taken on a poll.

During the year under review, no Options were granted, exercised or cancelled by the Company under the Scheme and there were no outstanding Options under the Scheme as at 31 December 2010.

Pursuant to the terms of the Scheme, the Company has entered into a deed of settlement dated 27 August 2008 with a trustee (the "Trustee") for the administration by the Trustee of the awards of Restricted Unit Awards under the Scheme.

As at 31 December 2010, there were a total of 3,329,200 Shares held in trust by the Trustee, of which 1,564,700 Shares were held for the benefit of selected eligible participants under the Scheme and the remaining 1,764,500 Shares are maintained and are available for the Trustee to satisfy the granting and vesting of the Restricted Unit Awards.

On 19 February 2009, Restricted Unit Awards for awards of a total of 2,445,500 Shares were granted to 85 eligible participants, six of whom were Directors at the relevant time and the remaining 79 were employees.

On 19 March 2010, Restricted Unit Awards for awards of a total of 1,428,000 Shares were granted to 125 eligible participants, six of whom were Directors at the relevant time and the remaining 119 were employees.

Details are set out as below:–

(A) Directors

Name of Director	Date of Award	Aggregate Number of Restricted Unit Awards Granted	Outstanding as at 1 January 2010	Vesting Date	Vested during the year ended 31 December 2010	Outstanding as at 31 December 2010
Chao Ming-Cheng, Eric	19 February 2009	153,000	–	1 April 2009	–	–
			51,000	1 April 2010	(51,000)	–
			51,000	1 April 2011	–	51,000
	19 March 2010	85,500	–	12 April 2010	(28,500)	–
			–	1 April 2011	–	28,500
			–	1 April 2012	–	28,500
Chen Li-Ming, Lawrence	19 February 2009	96,000	–	1 April 2009	–	–
			32,000	1 April 2010	(32,000)	–
			32,000	1 April 2011	–	32,000
	19 March 2010	54,000	–	12 April 2010	(18,000)	–
			–	1 April 2011	–	18,000
			–	1 April 2012	–	18,000
Chi Lo-Jen	19 February 2009	169,500	–	1 April 2009	–	–
			56,500	1 April 2010	(56,500)	–
			56,500	1 April 2011	–	56,500
	19 March 2010	114,000	–	12 April 2010	(38,000)	–
			–	1 April 2011	–	38,000
			–	1 April 2012	–	38,000
Chiang Jeh-Chung, Jack	19 February 2009	223,500	–	1 April 2009	–	–
			74,500	1 April 2010	(74,500)	–
			74,500	1 April 2011	–	74,500
	19 March 2010	108,000	–	12 April 2010	(36,000)	–
			–	1 April 2011	–	36,000
			–	1 April 2012	–	36,000
Shieh Tung-Pi, Billy *(Note)*	19 February 2009	64,500	–	1 April 2009	–	–
			21,500	1 April 2010	(21,500)	–
			21,500	1 April 2011	–	21,500
	19 March 2010	36,000	–	12 April 2010	(12,000)	–
			–	1 April 2011	–	12,000
			–	1 April 2012	–	12,000
Shih Takuen, Daniel	19 February 2009	211,500	–	1 April 2009	–	–
			70,500	1 April 2010	(70,500)	–
			70,500	1 April 2011	–	70,500
	19 March 2010	196,500	–	12 April 2010	(65,500)	–
			–	1 April 2011	–	65,500
			–	1 April 2012	–	65,500

Note: Mr. Shieh Tung-Pi, Billy resigned as an executive Director on 19 August 2010.

(B) Employees

Date of Award	Aggregate Number of Restricted Unit Awards Granted	Outstanding as at 1 January 2010	Vesting Date	Vested during the year ended 31 December 2010	Cancelled during the year ended 31 December 2010	Outstanding as at 31 December 2010
19 February 2009	1,527,500	–	1 April 2009	–	–	–
		446,400	1 April 2010	(444,900)	(1,500)	–
		446,400	1 April 2011	–	(26,500)	419,900
		4,900	1 April 2012	–	–	4,900
		4,900	1 April 2013	–	–	4,900
19 March 2010	834,000	–	12 April 2010	(366,500)	(1,500)	1,000
		–	1 April 2011	–	(13,000)	214,500
		–	1 April 2012	–	(14,500)	215,000
		–	1 April 2013	–	(5,500)	2,500

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.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's largest customer and five largest customers accounted for approximately 17.1% and 55.2% of the Group's total revenue for the year ended 31 December 2010 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 2010.

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

SUFFICIENCY OF PUBLIC FLOAT

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year under review.

AUDITORS

A resolution will be proposed to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company for the year ending 31 December 2011.

On behalf of the Board
Chiang Jeh-Chung, Jack

Chairman

17 March 2011

Deloitte.
德勤

TO THE MEMBERS OF STELLA INTERNATIONAL HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

We have audited the consolidated financial statements of Stella International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 79 to 145, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

17 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	Notes	2010 US$'000	2009 US$'000
Revenue	7	**1,293,521**	1,008,598
Cost of sales		**(1,010,553)**	(768,792)
Gross profit		**282,968**	239,806
Other income	8	**10,014**	10,994
Distribution and selling expenses		**(66,664)**	(57,391)
Administrative expenses		**(58,600)**	(44,854)
Research and development costs		**(39,621)**	(35,660)
Loss on changes in fair value of held for trading investments		**(601)**	–
Loss on changes in fair value of derivative financial instruments		**(22)**	(9)
Share of results of associates		**1,986**	710
Impairment loss on interest in an associate		**–**	(5,261)
Finance costs	9	**–**	(2)
Profit before tax		**129,460**	108,333
Income tax expense	10	**(8,132)**	(6,252)
Profit for the year	11	**121,328**	102,081
Exchange differences arising on translation of foreign operation		**(7,864)**	(711)
Total comprehensive income for the year		**113,464**	101,370
Profit (loss) for the year attributable to:			
Owners of the Company		**121,408**	102,168
Non-controlling interests		**(80)**	(87)
		121,328	102,081
Total comprehensive income (loss) attributable to:			
Owners of the Company		**113,551**	101,457
Non-controlling interests		**(87)**	(87)
		113,464	101,370
Earnings per share	14		
– basic (US$)		**0.154**	0.129
– diluted (US$)		**0.153**	0.129

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 US$'000	2009 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	**160,903**	149,152
Prepaid lease payments	*16*	**8,314**	8,387
Goodwill	*27*	**2,423**	–
Interests in associates	*17*	**18,019**	11,707
Deposit paid for acquisition of property, plant and equipment		**7,821**	445
		197,480	169,691
CURRENT ASSETS			
Inventories	*18*	**143,118**	107,725
Trade and other receivables	*19*	**228,233**	192,820
Prepaid lease payments	*16*	**254**	249
Amounts due from associates	*20*	**35,804**	29,832
Amounts due from related companies	*21*	**1,514**	–
Derivative financial instruments	*22*	**231**	33
Held for trading investments	*23*	**23,281**	–
Bank deposits	*24*	**–**	108,117
Cash and cash equivalents	*24*	**360,210**	317,120
		792,645	755,896
CURRENT LIABILITIES			
Trade and other payables	*25*	**144,852**	127,022
Bills payable	*25*	**19,189**	10,542
Amount due to an associate	*20*	**–**	879
Derivative financial instruments	*22*	**22**	9
Tax liabilities		**23,855**	18,658
		187,918	157,110
NET CURRENT ASSETS		**604,727**	598,786
		802,207	768,477
CAPITAL AND RESERVES			
Share capital	*26*	**10,160**	10,160
Share premium and reserves		**792,131**	758,314
Equity attributable to owners of the Company		**802,291**	768,474
Non-controlling interests		**(84)**	3
		802,207	768,477

The consolidated financial statements on pages 79 to 145 were approved and authorised for issue by the board of directors on 17 March 2011 and are signed on its behalf by:

Chiang Jeh-Chung, Jack
DIRECTOR

Shih Takuen, Daniel
DIRECTOR

	Attributable to owners of the Company											
	Share capital US$'000	Share premium US$'000	Merger reserve US$'000 *(Note 1)*	Capital reserve US$'000 *(Note 2)*	Exchange reserve US$'000	Shares held for share award scheme US$'000	Capital redemption reserve US$'000 *(Note 3)*	Share award reserve US$'000	Accumulated profits US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total US$'000
As at 1 January 2009	10,160	154,503	45,427	1,146	5,842	(3,001)	190	–	538,625	752,892	90	752,982
Exchange difference on translation of foreign operations	–	–	–	–	(711)	–	–	–	–	(711)	–	(711)
Profit for the year	–	–	–	–	–	–	–	–	102,168	102,168	(87)	102,081
Total comprehensive (expense) income for the year	–	–	–	–	(711)	–	–	–	102,168	101,457	(87)	101,370
Recognition of equity-settled share-based payment	–	–	–	–	–	–	–	1,205	–	1,205	–	1,205
Purchase of shares for long term incentive scheme	–	–	–	–	–	(5,082)	–	–	–	(5,082)	–	(5,082)
Shares vested under long term incentive scheme	–	–	–	–	–	1,042	–	(832)	(210)	–	–	–
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(81,998)	(81,998)	–	(81,998)
As at 31 December 2009	10,160	154,503	45,427	1,146	5,131	(7,041)	190	373	558,585	768,474	3	768,477
Exchange difference on translation of foreign operations	–	–	–	–	(7,857)	–	–	–	–	(7,857)	(7)	(7,864)
Profit for the year	–	–	–	–	–	–	–	–	121,408	121,408	(80)	121,328
Total comprehensive (expense) income for the year	–	–	–	–	(7,857)	–	–	–	121,408	113,551	(87)	113,464
Recognition of equity-settled share-based payment	–	–	–	–	–	–	–	2,071	–	2,071	–	2,071
Shares vested under long term incentive scheme	–	–	–	–	–	1,985	–	(1,418)	(567)	–	–	–
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(81,805)	(81,805)	–	(81,805)
As at 31 December 2010	10,160	154,503	45,427	1,146	(2,726)	(5,056)	190	1,026	597,621	802,291	(84)	802,207

Notes:

(1) 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.

(2) The capital reserve arises from the following transactions:

(i) During the year ended 31 December 2007, a shareholder of Stella International transferred 0.2% of her beneficial interests in Stella International to an employee of the Group by way of gift as an incentive to attract and retain the employee in the Group prior to the group reorganisation.

(ii) During the year ended 31 December 2007, Cordwalner Bonaventure Inc. ("Cordwalner") issued and allotted 1.17% preferred shares in Cordwalner with subscription price US$3,150,000 to Eagle Mate Capital Limited, a company owned by an employee, which will hold these shares on behalf of the employees as an incentive to attract and retain the employee in the Group after the listing of the Company's shares.

These transactions were accounted for as an equity-settled share-based payment transactions in equity, over the vesting period, based on the fair value of the relevant shares at the grant date.

(3) During the year ended 31 December 2008, the Company repurchased an aggregate of 14,870,500 own ordinary shares on the Stock Exchange (as defined in Note 1 to the consolidated financial statements) and these repurchased shares were cancelled prior to 31 December 2008. The issued share capital of the Company was reduced by the nominal value of these repurchased shares in the amount of HK$1,487,000 (US$190,000) and the equivalent amount was transferred from accumulated profits to the capital redemption reserve pursuant to 37(4) of the Companies Law (2007 Revision) of Cayman Islands. The premium paid on the repurchase of these shares in the amount of US$12,795,000 was charged to share premium. The aggregate consideration to repurchase these shares in the amount of US$12,985,000 was deducted from shareholders' equity.

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Note	**2010 US$'000**	2009 US$'000
OPERATING ACTIVITIES			
Profit before tax		**129,460**	108,333
Adjustments for:			
Depreciation of property, plant and equipment		**24,842**	21,419
Impairment loss recognised on inventories		**355**	163
Share of results of associates		**(1,986)**	(710)
Net gain on changes in fair value of derivative financial instruments		**(185)**	(24)
Release of prepaid lease payments		**250**	248
Loss on disposal of property, plant and equipment		**26**	272
Interest income		**(2,929)**	(5,163)
Share-based payment expenses		**2,071**	1,205
Impairment loss of interest in associates		**–**	5,261
Operating cash flows before movements in working capital		**151,904**	131,004
Increase in inventories		**(50,512)**	(3,970)
(Increase) decrease in trade and other receivables		**(33,564)**	6,333
(Increase) decrease in amounts due from associates		**(6,851)**	2,582
Increase in held for trading investments		**(23,281)**	–
Increase in amounts due from related companies		**(1,514)**	–
Increase in trade and other payables		**17,008**	15,983
Cash generated from operations		**53,190**	151,932
Income tax paid		**(3,372)**	(2,210)
Payment for purchase of shares under long term incentive scheme		**–**	(5,082)
NET CASH FROM OPERATING ACTIVITIES		**49,818**	144,640
INVESTING ACTIVITIES			
Decrease (increase) in bank deposits		**108,117**	(108,117)
Interest received		**2,929**	5,163
Dividend received		**2,674**	1,957
Acquisition of subsidiaries (net of cash and cash equivalents received)	*27*	**1,279**	–
Proceeds from disposal of property, plant and equipment		**541**	2,379
Purchase of property, plant and equipment		**(29,420)**	(11,625)
Increase in deposit paid for acquisition of property, plant and equipment		**(7,492)**	(445)
Investment in an associate		**(7,000)**	–
Decrease in pledged bank deposit		**–**	10,068
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**71,628**	(100,620)

	Note	2010 US$'000	2009 US$'000
CASH USED IN FINANCING ACTIVITIES			
Dividend paid		**(81,805)**	(81,998)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**39,641**	(37,978)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**317,120**	355,011
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**3,449**	87
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by		**360,210**	317,120
Bank balances and cash		**187,553**	277,029
Deposits placed in financial institutions		**172,657**	40,091
		360,210	317,120

1. GENERAL

The Company is a public limited company incorporated in Cayman Islands under the Companies Law as an exempted company with limited liability on 5 March 2007 and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 6 July 2007. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The Company acts as an investment holding company. Particulars of the principal activities of its principal subsidiaries and associates are set out in notes 34 and 17, respectively.

The consolidated financial statements are presented in United States dollars ("USD"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and revised standards and interpretations applied in the current year

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions.

HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

In the current year, the application of HKFRS 3 (as revised in 2008) has affected the accounting treatment of acquisition related costs relating to the acquisition of Simple Group (see Note 27). However, such costs are insignificant.

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for attribution of loss to non-controlling interests.

HKAS 27 (Revised) requires the Group to allocate the total comprehensive income and expense of a subsidiary to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Previously, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

The application of HKAS 27 (as revised in 2008) has resulted in an increase in profit and other comprehensive income attributable to owners of the Company by US$80,000 and US$4,000, respectively, and an increase in loss and other comprehensive expenses for the year attributable to non-controlling interests by the same amounts. The effects on the basic and diluted earnings per share are insignificant.

Amendments to HKAS 17 Leases

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The application of the amendments to HKAS 17 does not affect the classification of the Group's leasehold land.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[2]
HKFRS 9	Financial Instruments[3]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
HKAS 24 (as revised in 2009)	Related Party Disclosures[5]
HKAS 32 (Amendments)	Classification of Rights Issues[6]
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[7]

1 *Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.*
2 *Effective for annual periods beginning on or after 1 July 2011.*
3 *Effective for annual periods beginning on or after 1 January 2013.*
4 *Effective for annual periods beginning on or after 1 January 2012.*
5 *Effective for annual periods beginning on or after 1 January 2011.*
6 *Effective for annual periods beginning on or after 1 February 2010.*
7 *Effective for annual periods beginning on or after 1 July 2010.*

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

New and revised Standards and Interpretations issued but not yet effective *(continued)*

The application of HKFRS 9 *Financial Instruments* (as issued in November 2009) will not affect the classification and measurement of the Group's financial assets other than derivative financial instruments and held for trading investments. The Group's financial assets are classified as loans and receivables and are held within a business model with an objective to collect the contractual cash flows and the contractual cash flows that are solely payments of principal and interest on the principal outstanding, so these financial assets will continue to be measured at amortised costs.

The application of HKFRS 9 Financial Instruments (as issued in November 2010) will not affect the classification and measurement of the Group's financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value, as explained in accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributable to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Business combinations

Business combinations that took place on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations *(continued)*

Business combinations that took place on or after 1 January 2010 *(continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquire (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (not exceeding one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 January 2010

Acquisitions of businesses were accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is not tested for impairment separately. Instead, the entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell with its carrying amount). Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment in the associate. Any reversal of impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at fair value of consideration received or receivable and represents amount receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and title has passed.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of changes in estimate accounted for on a prospective basis.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment *(continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the sales proceeds and the carrying amount of the item) is included in profit or loss in the consolidated statement of comprehensive income in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss of the consolidated statement of comprehensive income on a straight-line basis over the terms of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

Interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment losses on assets other than goodwill (see the accounting policy in respect of goodwill above)
At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior year. A reversal of an impairment loss is recognised as income immediately.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and development expenditure *(continued)*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses on a straight-line basis over its estimated useful life.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on monetary items that forms part of the Company's net investment in foreign operations, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the relevant foreign operations.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. USD) at the rate of exchange prevailing at the end of the reporting period, and their income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised as and included in finance costs in the consolidated statement of comprehensive income in the period in which they are incurred.

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are charged as expenses when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into held for trading investments or loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Effective interest method (continued)

Interest income is recognised on an effective interest basis for debt instruments, other than those financial assets classified as held for trading for which interest income is included in net gains or losses.

Held for trading investments

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each reporting date subsequent to initial recognition, held for trading investments are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from associates and related companies, bank deposit and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

In a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, bills payable and amount due to an associate are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions

Awarded shares granted to directors and employees

The fair value of service received, determined by reference to the fair value of awarded shares granted at the grant date, is expensed as staff costs on a straight-line basis over the vesting period, with a corresponding increase in equity (share award reserve).

At the end of each reporting period, the Group revises its estimates of the number of the awarded shares that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to the share award reserve.

At the time when the awarded shares are vested, the amount previously recognised in share award reserve and the amount of the relevant treasury shares (held under the shares held for share award scheme) will be transferred to accumulated profits.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amount of trade receivables is approximately US$183,054,000 net of allowance for bad debt of nil (31 December 2009: US$162,473,000 net of allowance for bad debt of nil).

Allowance for inventories

The management of the Group reviews the aging of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production nor saleable in the market. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2010, the carrying amount of inventories was approximately US$143,118,000 (31 December 2009: US$107,725,000) (net of allowance for inventories of US$6,888,000 (31 December 2009: US$6,533,000)).

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued share capital, various reserves and retained profit.

The directors of the Company review the capital structure on an on-going basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2010 US$'000	2009 US$'000
Financial assets		
Held for trading investments	**23,281**	–
Loans and receivables (including cash and cash equivalents)	**590,468**	594,522
Derivative instruments	**231**	33
	613,980	594,555
Financial liabilities		
Amortised cost	**142,204**	135,479
Derivative instruments	**22**	9
	142,226	135,488

6b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from associates and related companies, derivative financial instruments, held for trading investments, bank deposits, bank balances, deposits placed in financial institutions, trade and other payables, bills payable and amount due to an associate. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (represented by currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk

Currency risk

The Group's sales are mainly denominated in USD. Its manufacturing operations are located in The People's Republic of China ("PRC") and purchase of raw materials and operating expenses are denominated in Renminbi ("RMB"), EURO ("EUR") or USD. It's currency exposures is mainly due to exposure in RMB, EUR and Hong Kong dollars ("HKD") against the functional currency of the relevant group companies. As HKD is pegged to USD, the currency risk is considered insignificant. The Group entered into certain foreign exchange forward to manage the currency exposure in relation to RMB (2009: RMB and EUR).

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period that are considered significant by management are as follows:

	Liabilities		Assets	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
RMB	**11,417**	4,997	**10,459**	16,197
HKD	**14**	262	**6,936**	46,148
EUR	**–**	–	**119**	937
Other	**861**	827	**1,897**	2,001

The Group's sensitivity of fluctuation in HKD is low as HKD denominated monetary assets were held by group entities whose functional currency is USD to which HKD is pegged. The Group's sensitivity of fluctuation in EUR is low as EUR denominated monetary assets and liabilities are immaterial in amounts.

In addition, the Group is also exposed to foreign currency risk in respect of inter-company balances. The exchange difference in relation to inter-company balances, which, mainly comprising RMB injection into subsidiaries incorporated in the PRC (investments are insignificant in other countries), forms part of the Company's net investment in foreign operations, is recognised in other comprehensive income.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Currency risk (continued)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in USD against RMB. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and inter-company balances, adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit for the year and other comprehensive income where RMB strengthen 5% against USD. For a 5% weakening of RMB against the USD, there would be an equal and opposite impact on the profit for the year and other comprehensive income.

	Renminbi Impact	
	2010	2009
	US$'000	US$'000
(Decrease) Increase in profit for the year	**(36)**	420
Decrease in other comprehensive income	**(610)**	(36)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank deposits carrying fixed interest rates and cash flow interest rate risk in relation to short-term deposits placed in banks and financial institutions that are interest-bearing at floating interest rates. The directors consider the Group's exposure of the bank deposits to fair value interest rate risk is not significant as interest bearing bank deposits are within short maturity period.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Interest rate risk (continued)

The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates in its variable-rate bank deposits at the end of the reporting period. For variable-rate bank deposits, the analysis is prepared assuming the amount of deposits outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis point increase or 5 basis points decrease (2009: 25 increase or decrease) is used by the management for the assessment of the possible change in interest rates.

If interest rates had been 25/5 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would increase by approximately US$898,000/decrease by approximately US$180,000 (2009: increase/decrease US$1,062,000).

Price risk

The Group is exposed to debt securities price risk through its held for trading investments, which are measured at fair value at each the end of each reporting period. The held for trading investments comprise i) listed debentures carrying fixed interest rates with their market value generally linked to market interest rate and ii) unlisted funds. Management manages this exposure by maintaining a portfolio of investments.

The Group's derivative financial instruments also exposed the Group to market forward foreign exchange rates.

Sensitivity analysis

If interest rates for the debentures had been 25 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would increase/decrease by approximately US$2,000 (2009: Nil).

If the market price for the funds had been 5% higher/lower, profit for the year ended 31 December 2010 would increase/decrease by US$687,000 (2009: Nil).

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Market risk *(continued)*

Price risk (continued)

Sensitivity analysis *(continued)*

If the market forward foreign exchange rate of RMB against US dollars had been 5% higher/lower, profit for the year ended 31 December 2010 would increase/decrease by US$612,000 (2009: increase/decrease by US$90,000) as a result of the changes in the market forward foreign exchange rate of RMB against US dollars.

Credit risk

At 31 December 2010 and 2009, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, management of the Group has delegated a team of staff members responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period on a collective and on-going basis to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds and the debentures is limited because the counterparties are banks or multinational corporations with high reputation.

The Group's credit concentration risk by geographical locations is mainly in North America, which accounted for 52% (31 December 2009: 56%) of the total trade receivables as at 31 December 2010.

The Group has a bank concentration credit risk, 72% (31 December 2009: 93%) of deposits are placed with 10 banks (31 December 2009: 10 banks).

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

6. FINANCIAL INSTRUMENTS *(continued)*

6b. Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

The following table details the Group's contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	0 – 30 days	31 – 90 days	90 – 365 days	Total undiscounted cash flows	Carrying amount
	US$'000	US$'000	US$'000	US$'000	US$'000
As at 31 December 2010					
Non-derivative financial liabilities					
Trade and other payables	74,394	38,838	9,783	123,015	123,015
Bills payable	–	19,189	–	19,189	19,189
	74,394	58,027	9,783	142,204	142,204
Derivatives – net settlement					
Foreign exchange forward contracts	14	–	8	22	22

	0 – 30 days	31 – 90 days	90 – 365 days	Total undiscounted cash flows	Carrying amount
	US$'000	US$'000	US$'000	US$'000	US$'000
As at 31 December 2009					
Non-derivative financial liabilities					
Trade and other payables	77,093	40,373	6,592	124,058	124,058
Bills payable	–	10,542	–	10,542	10,542
Amount due to an associate	879	–	–	879	879
	77,792	50,915	6,592	135,479	135,479
Derivatives – net settlement					
Foreign exchange forward contracts	–	–	9	9	9

6. FINANCIAL INSTRUMENTS *(continued)*

6c. Fair value

Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values because the financial assets and financial liabilities have short maturity.

The fair value measurement recognised in the consolidated financial statements subsequent to initial recognition at fair value with respect to the Group's derivative financial instruments belongs to level 2, being fair value derived from inputs other than quoted prices included within level 1 that are observable for the assets indirectly.

7. SEGMENT INFORMATION

Information reported to the chief executive director of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of footwear manufactured and on footwear retailing and wholesaling.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

1) Men's footwear – the manufacturing and sales of men's footwear
2) Women's footwear – the manufacturing and sales of women's footwear
3) Footwear retailing and wholesaling

7. SEGMENT INFORMATION *(continued)*

(a) Operating segments

Segment revenues and results

For the year ended 31 December 2010

	Men's footwear US$'000	Women's footwear US$'000	Footwear retailing and wholesaling US$'000	Total US$'000	Eliminations US$'000	Consolidated US$'000
REVENUE						
External sales	420,607	806,626	66,288	1,293,521	–	1,293,521
Inter-segment sales	–	21,476	–	21,476	(21,476)	–
Total	420,607	828,102	66,288	1,314,997	(21,476)	1,293,521
Inter-segment sales are charged at prevailing market rates						
RESULTS						
Segment results	50,137	153,945	999	205,081	(458)	204,623
Unallocated income						
– Interest income from banks						2,865
– Gain on change in fair value of derivative financial instruments						231
– Rental income						3,725
– Sale of scrap						260
– Others						1,865
Unallocated expenses						
– Research and development costs						(39,621)
– Central administrative costs						(45,851)
– Loss on change in fair value of derivative financial instruments						(22)
– Loss on change in fair value of held for trading investments						(601)
Share of results of associates						1,986
Profit before tax						129,460

7. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

Segment revenues and results *(continued)*

For the year ended 31 December 2009

	Men's footwear US$'000	Women's footwear US$'000	Footwear retailing and wholesaling US$'000	Total US$'000	Eliminations US$'000	Consolidated US$'000
REVENUE						
External sales	292,774	669,219	46,605	1,008,598	–	1,008,598
Inter-segment sales	–	11,753	–	11,753	(11,753)	–
Total	292,774	680,972	46,605	1,020,351	(11,753)	1,008,598
Inter-segment sales are charged at prevailing market rates						
RESULTS						
Segment results	47,225	128,700	1,227	177,152	(1,123)	176,029
Unallocated income						
– Interest income from banks						5,146
– Gain on change in fair value of derivative financial instruments						33
– Rental Income						3,735
– Sale of scrap						329
– Others						1,592
Unallocated expenses						
– Research and development costs						(35,374)
– Central administrative costs						(38,595)
– Loss on change in fair value of derivative financial instruments						(9)
– Finance costs						(2)
Share of results of associates						710
Impairment loss on interest in associates						(5,261)
Profit before tax						108,333

7. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

Segment revenues and results *(continued)*

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents profit attributable to each segment without allocation of corporate income and expenses, interest income from banks, gain on change in fair value of derivative financial instruments, rental income, sale of scrap, research and development costs, impairment loss on interests in associates, share of results of associates, central administration costs and finance costs. This is the measure reported to the Group's chief executive officer for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2010	2009
	US$'000	US$'000
Segment assets		
Men's footwear	**220,841**	191,120
Women's footwear	**290,994**	239,001
Footwear retailing and wholesaling	**50,225**	39,976
Total segment assets	**562,060**	470,097
Other assets	**428,065**	455,490
Consolidated assets	**990,125**	925,587

	2010	2009
	US$'000	US$'000
Segment liabilities		
Men's footwear	**72,774**	55,855
Women's footwear	**84,966**	68,988
Footwear retailing and wholesaling	**11,919**	9,471
Total segment liabilities	**169,659**	134,314
Other liabilities	**18,259**	22,796
Consolidated liabilities	**187,918**	157,110

7. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

***Segment assets and liabilities** (continued)*

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than amounts due from associates and related companies, held for trading investments, derivative financial assets, and cash and cash equivalents; and
- all liabilities are allocated to reportable segments other than tax liabilities, amount due to an associate and derivative financial liabilities of group entities not belonging to any operating segments.

Other segment information

2010

	Men's Footwear	Women's Footwear	Footwear retailing and wholesaling	Total
	US$'000	US$'000	US$'000	US$'000
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	20,492	9,372	3,589	33,453
Depreciation	12,642	9,009	3,176	24,827
Loss on disposal of property, plant and equipment	–	26	–	26
Write-down (reversal) of inventories	288	288	(221)	355
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interest in associates	15,415	–	2,604	18,019
Share of profit of associates	28	–	1,958	1,986
Income tax expense	3,461	4,388	283	8,132

7. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

Other segment information *(continued)*

2009

	Men's Footwear US$'000	Women's Footwear US$'000	Footwear retailing and wholesaling US$'000	Total US$'000
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	3,819	5,447	2,776	12,042
Depreciation	9,805	8,873	2,741	21,419
Loss on disposal of property, plant and equipment	259	13	–	272
Write-down of (reversal) inventories	414	371	(622)	163
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interest in associates	11,061	–	646	11,707
Share of profit of associates	457	–	253	710
Income tax expense	3,161	3,091	–	6,252

(b) Revenue from major products and services

	2010 US$'000	2009 US$'000
Men's footwear	**420,607**	292,774
Women's footwear	**872,914**	715,824
	1,293,521	1,008,598

7. SEGMENT INFORMATION *(continued)*

(c) Geographical information

The Group's revenue from external customers based on location of the customers and information about its non-current assets by geographical locations of the assets are detailed below:

	Revenue from external customers		Non-current assets As at 31 December	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
United States of America	**675,539**	544,736	**–**	–
United Kingdom	**146,166**	113,091	**–**	–
The PRC (country of domicile)	**97,629**	71,359	**197,480**	169,691
Italy	**59,085**	42,190	**–**	–
Netherlands	**58,532**	53,488	**–**	–
Thailand	**45,064**	11,092	**–**	–
Canada	**30,678**	27,420	**–**	–
Spain	**30,026**	18,081	**–**	–
Belgium	**19,382**	12,750	**–**	–
Japan	**17,395**	12,813	**–**	–
Germany	**13,720**	8,265	**–**	–
Singapore	**10,206**	6,650	**–**	–
South Korea	**9,984**	6,437	**–**	–
Australia	**9,322**	7,139	**–**	–
Switzerland	**7,853**	5,307	**–**	–
Panama	**5,323**	5,653	**–**	–
Portugal	**395**	17,558	**–**	–
Others	**57,222**	44,569	**–**	–
	1,293,521	1,008,598	**197,480**	169,691

7. SEGMENT INFORMATION *(continued)*

(d) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2010	2009
	US$'000	US$'000
Customer A[1]	**221,637**	171,699
Customer B[1]	**184,965**	182,436

[1] *Revenue from both men's and women's footwear operating segments in aggregate*

8. OTHER INCOME

	2010	2009
	US$'000	US$'000
Interest income on bank balances	**2,929**	5,163
Gain on changes in fair value of derivative financial instruments	**231**	33
Rental income	**3,725**	3,735
Sales of scrap	**260**	329
Others	**2,869**	1,734
	10,014	10,994

9. FINANCE COSTS

	2010	2009
	US$'000	US$'000
Interests on bank overdrafts wholly repayable within five years	**–**	2

10. INCOME TAX EXPENSE

	2010 US$'000	2009 US$'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	8,132	6,252

No provision for Hong Kong Profits Tax has been made as the Group's profit neither arose in, nor was derived from, Hong Kong during the year.

Under the law of the PRC on EIT and Implementation Regulation of the EIT law, the tax rate of the PRC subsidiaries is 25% effective from 1 January 2008 onwards.

Dongguan Stella Footwear Company Limited ("Dongguan Stella") enjoyed preferential tax treatment (12.5% tax rate, determined at 50% of the applicable tax rate of 25%) for the year ended 31 December 2009 and the tax rate stepped up to 25% for the year ended 31 December 2010 and will apply hereafter.

The income of Long Chuan Simona Footwear Company Limited ("Long Chuan Simona"), Stella Fashion Inc. (formerly known as Stella Luna Fashion Inc.), Stella International and Selena Footwear Inc. derived from production, business operations and other sources in the PRC is subject to EIT at a rate of 25% for the years ended 31 December 2010 and 2009.

As stated in the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, Bestsource Technology (Macao Commercial Offshore) Limited ("Bestsource"), a subsidiary acquired during the year is exempted from Macao Complementary Tax.

No deferred tax has been provided in the consolidated financial statements in respect of the temporary differences attributable to profits generated by both Dongguan Stella and Long Chuan Simona as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Taxation arising in other jurisdictions including Thailand in which a non wholly-owned group company operates, is calculated at the rate prevailing in the relevant jurisdictions.

10. INCOME TAX EXPENSE *(continued)*

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

	2010	2009
	US$'000	US$'000
Profit before tax	**129,460**	108,333
Tax at the applicable PRC EIT rate of 25% (2009: 25%)	**32,365**	27,083
Tax effect of expenses not deductible for tax purposes *(Note 1)*	**6,436**	5,396
Tax effect of income not taxable for tax purposes *(Note 2)*	**(30,127)**	(26,142)
Tax effect of share of results of associates	**(602)**	(177)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**60**	92
Income tax expense	**8,132**	6,252

Notes:

1. Tax effect of expenses not deductible mainly represents the subcontracting charges and operating expenses in the PRC with payment receipts but no invoices for tax deduction claim under the relevant tax jurisdictions.

2. Tax effect of income not taxable is the income of Stella International and Bestsource which are not assessable under their relevant tax jurisdictions. As Stella International has no fixed place to carry out its operations, it subcontracted and engaged other companies as services providers to perform supporting activities and remunerate them with the service fee while Bestsource is exempted from Macao Complementary Tax.

In October 2010, the Inland Revenue Department ("IRD") initiated a tax audit on the Hong Kong tax affairs of certain subsidiaries of the Company for the years of assessment for 2004/2005 to 2009/2010.

The directors of the Company are of the opinion that the tax audit exercise is still at a very preliminary stage and that no profits tax is payable by the Group as the subsidiaries in question did not carry out any business, nor derive any profits, in Hong Kong. Accordingly, no additional provision for Hong Kong Profits Tax is considered necessary in respect of the tax audit.

11. PROFIT FOR THE YEAR

	2010	2009
	US$'000	US$'000
Profit for the year has been arrived at after charging:		
Directors' emoluments *(Note 12)*	**4,563**	2,871
Other staff costs	**201,993**	171,485
Share-based payment expenses, excluding directors	**1,240**	649
Retirement benefit scheme contributions, excluding directors	**1,697**	1,675
Total staff costs	**209,493**	176,680
Auditor's remuneration	**618**	609
Cost of inventories recognised as an expense	**1,010,198**	768,629
Depreciation of property, plant and equipment	**24,842**	21,419
Write-down of inventories (included in cost of sales)	**355**	163
Loss on disposal of property, plant and equipment	**26**	272
Net exchange loss	**1,478**	762
Release of prepaid lease payments	**250**	248
Share of taxation of associates (included in share of results of associates)	**418**	236

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to each of the directors are as follows:

	Jeh-Chung, Jack CHIANG US$'000	Takuen, Daniel SHIH US$'000	Ming-Cheng, Eric CHAO US$'000	Li-Ming, Lawrence CHEN US$'000	Tung-Pi, Billy SHIEH US$'000	Lo-Jen CHI US$'000	Pao-Kuei CHU US$'000	Hak Kim NG, *JP* US$'000	Johnny CHEN US$'000	Peter BOLLIGER US$'000	2010 US$'000
2010											
Fee	39	39	39	39	24	39	51	51	51	13	385
Other emoluments											
– salaries and other allowances	119	119	111	103	103	103	–	–	–	–	658
– bonus *(Note)*	500	850	400	250	157	500	–	–	–	–	2,657
– share based payments	171	261	129	81	54	163	–	–	–	–	859
– retirement benefit scheme contributions	1	–	1	1	1	–	–	–	–	–	4
	830	1,269	680	474	339	805	51	51	51	13	4,563

	Jeh-Chung, Jack CHIANG US$'000	Takuen, Daniel SHIH US$'000	Ming-Cheng, Eric CHAO US$'000	Li-Ming, Lawrence CHEN US$'000	Tung-Pi, Billy SHIEH US$'000	Lo-Jen CHI US$'000	Pao-Kuei CHU US$'000	Hak Kim NG, *JP* US$'000	Johnny CHEN US$'000	Peter BOLLIGER US$'000	2009 US$'000
2009											
Fee	39	39	39	39	39	39	51	51	47	–	383
Other emoluments											
– salaries and other allowances	77	77	69	62	62	62	–	–	–	–	409
– bonus *(Note)*	272	509	219	136	91	292	–	–	–	–	1,519
– share based payments	135	128	93	58	39	103	–	–	–	–	556
– retirement benefit scheme contributions	1	–	1	1	1	–	–	–	–	–	4
	524	753	421	296	232	496	51	51	47	–	2,871

Note: The performance related incentive payment is determined as a percentage of the revenue of the Group for the two years ended 31 December 2010.

Employees

The five highest paid individuals in the Group in 2010 were all directors of the Company and details of their emoluments are set out above. In 2009, one employee was included in the five highest paid individuals and the emoluments of that individual were as follows:

	2010 US$'000	2009 US$'000
Employee		
– salaries and other allowances	–	401
– retirement benefit scheme contributions	–	2
– share-based payment expenses	–	7
	–	410

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(continued)*

Employees *(continued)*

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employee) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the year.

13. DIVIDENDS

	2010	2009
	US$'000	US$'000
2009 final dividend of HK40 cents per share (2009: 2008 final dividend of HK50 cents per share) paid and a special dividend of HK10 cents per share declared and paid for 2009	**51,158**	51,248
2010 interim dividend of HK30 cents per share (2009: HK30 cents per share) paid	**30,647**	30,750
	81,805	81,998

The final dividend of HK53 cents per share for the year ended 31 December 2010 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2010	2009
	US$'000	US$'000
Earnings		
Profit for the year and earnings attributable to owners of the Company for the purposes of basic earnings per share	**121,408**	102,168
Weighted average number of ordinary shares for the purpose of basic earnings per share	**790,708,942**	791,610,816
Effect of dilutive potential ordinary shares:		
Unvested shares awarded	**716,948**	1,645,143
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**791,425,890**	793,255,959

The weighted average number of ordinary shares for the purposes of basic and diluted earnings per share have been arrived at after deducting the shares held in trust for the Company by Teeroy Limited *(see Note 30)*.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture, fixture and equipment	Motor vehicles	Construction in progress	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
COST						
As at 1 January 2009	91,262	132,024	16,359	5,320	1,379	246,344
Exchange adjustments	61	76	20	3	–	160
Additions	468	5,225	1,584	876	3,889	12,042
Transfer	57	4,129	208	–	(4,394)	–
Disposals	–	(5,607)	(955)	(269)	–	(6,831)
As at 31 December 2009	91,848	135,847	17,216	5,930	874	251,715
Exchange adjustments	2,308	2,887	361	105	106	5,767
Acquisition of subsidiaries *(Note 27)*	–	3,098	352	135	–	3,585
Additions	5,666	14,530	1,322	910	7,437	29,865
Transfer	68	3,884	163	–	(4,115)	–
Disposals	–	(825)	(234)	(238)	–	(1,297)
As at 31 December 2010	99,890	159,421	19,180	6,842	4,302	289,635
DEPRECIATION						
As at 1 January 2009	22,972	51,898	7,356	3,042	–	85,268
Exchange adjustments	12	32	11	2	–	57
Provided for the year	4,787	13,500	2,628	504	–	21,419
Eliminated on disposals	–	(3,616)	(331)	(234)	–	(4,181)
As at 31 December 2009	27,771	61,814	9,664	3,314	–	102,563
Exchange adjustments	555	1,232	207	63	–	2,057
Provided for the year	6,060	16,202	2,095	485	–	24,842
Eliminated on disposals	–	(475)	(106)	(149)	–	(730)
As at 31 December 2010	34,386	78,773	11,860	3,713	–	128,732
CARRYING VALUES						
As at 31 December 2010	65,504	80,648	7,320	3,129	4,302	160,903
As at 31 December 2009	64,077	74,033	7,552	2,616	874	149,152

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The following years are used for the depreciation of property, plant and equipment after considering their respective useful lives:

Buildings	20 years or shorter of the lease terms of the relevant leasehold lands
Plant and machinery	5 – 10 years
Furniture, fixture and equipment	5 years
Motor vehicles	5 years

The Group has not yet obtained the legal title of the building with an aggregate carrying amount of US$10,644,000 (2009: US$10,350,000).

16. PREPAID LEASE PAYMENTS

	2010	2009
	US$'000	US$'000
Current portion of prepaid lease payments	**254**	249
Non-current portion	**8,314**	8,387
	8,568	8,636

The carrying amount represents upfront payment for medium-term land use rights in the PRC.

The Group had fully paid consideration for land use rights in the PRC. However, the Group has not yet obtained the title of the land use rights with an aggregate carrying amount of US$1,894,000 (2009: US$1,949,000). The carrying amount of prepaid lease payments included above of US$1,355,000 (2009: US$1,391,000) was paid for land use rights under the name of Sanford International Limited ("Sanford"), a company wholly and ultimately owned by a director of the Company. The Group is in the process of obtaining the land use right certificates.

17. INTERESTS IN ASSOCIATES

	2010 US$'000	2009 US$'000
Cost of investments in associates – unlisted	**26,290**	19,290
Share of post-acquisition losses and impairment of an associate, net of dividend received	**(8,271)**	(7,583)
	18,019	11,707

As at 31 December 2010 and 2009, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of establishment/ principal place of operation	Class of share held	Proportion of nominal value of registered capital/ issued capital held by the Group 2010	2009	Principal activities
辛集市寶得福皮業有限公司 (Xinji Baodefu Leather Co. Ltd. ("Baodefu"))	Sino-foreign co-operation joint venture	The PRC	Capital injection	**40%**	40%	Manufacture and sales of leather products and footwear
Cosmic Gold Enterprise Limited ("Cosmic Gold")	Limited company	St. Vincent and the Grenadines	Ordinary	**40%**	40%	Manufacture of footwear
StellaDeck Fashion Limited ("StellaDeck")	Limited company	Hong Kong	Ordinary	**49%**	49%	Footwear retailing

17. INTERESTS IN ASSOCIATES *(continued)*

The summarised financial information in respect of the Group's associates is set out below:

	2010	2009
	US$'000	US$'000
Total assets	91,497	124,189
Total liabilities	(53,816)	(95,659)
Net assets	37,681	28,530
Group's share of net assets of associates	17,796	11,600
Revenue	184,558	124,067
Profit for the year	3,935	1,563
Group's share of profit of associates for the year	1,986	710

17. INTERESTS IN ASSOCIATES *(continued)*

The Group has discontinued recognition of its share of losses of Baodefu. The amount of unrecognised share of loss as extracted from the relevant management accounts of Baodefu, both for the year and accumulatively, is as follows:

	2010	2009
	US$'000	US$'000
Unrecognised share of loss for the year	**56**	29
Accumulated unrecognised share of losses	**223**	167

18. INVENTORIES

	2010	2009
	US$'000	US$'000
Raw materials	**40,824**	29,936
Work-in-progress	**49,347**	35,277
Finished goods	**52,947**	42,512
	143,118	107,725

19. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of the Group's trade receivables net of allowance for bad debts presented based on invoice date at the end of the reporting period:

	2010	2009
	US$'000	US$'000
Trade receivables:		
0 – 30 days	**118,056**	98,902
31 – 60 days	**42,851**	36,638
61 – 90 days	**8,472**	10,165
Over 90 days	**13,675**	16,768
	183,054	162,473
Other receivables	**45,179**	30,347
Total trade and other receivables	**228,233**	192,820

Included in the Group's trade and other receivables balance are debtors with aggregate amount of US$1,860,000, US$12,000 and US$809,000 (2009: US$6,426,000, US$67,000 and US$659,000) which are denominated in RMB, HKD and other currencies other than the functional currency of the respective group entities and are exposed to currency risk.

Before accepting a new customer, the Group has to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed periodically. The majority of the trade receivables that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of US$14,140,000 (31 December 2009: US$15,349,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

19. TRADE AND OTHER RECEIVABLES *(continued)*

Ageing of trade receivables based on the invoice date which are past due but not impaired:

	2010	2009
	US$'000	US$'000
31-60 days	**6,896**	5,856
61-90 days	**4,829**	4,253
Over 90 days	**2,415**	5,240
	14,140	15,349

20. AMOUNTS DUE FROM (TO) ASSOCIATES

	As at 31 December		**Maximum amount outstanding for year ended 31 December**	
Name of company	**2010**	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Baodefu	**34,060**	29,375	**34,060**	30,402
Cosmic Gold	**582**	(879)	**582**	–
StellaDeck	**1,162**	457	**1,162**	457
	35,804	28,953		

The amounts due from associates are trading balances, representing prepayments to two associates for purchase of goods and trade receivables from one associate. The amounts are unsecured and interest-free.

21. AMOUNTS DUE FROM RELATED COMPANIES

	As at 31 December		Maximum amount outstanding for year ended 31 December	
Name of company	**2010**	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Mountain Gear Group	**1,086**	–	**1,086**	–
Ace Opportunity Group	**428**	–	**428**	–
	1,514	–		

The above related companies are under the control of a director of the Company. The amounts due from related companies are trading balances. The amounts are unsecured, interest-free and aged within 90 days.

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Assets		Liabilities	
	2010	2009	**2010**	2009
	US$'000	US$'000	**US$'000**	US$'000
Foreign currency forward contracts	**231**	33	**22**	9

As at 31 December 2010, the Group was a party to a variety of foreign currency forward contracts in the management of its exchange rate exposures. Those contracts were settled on net basis.

22. DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

Major terms of the outstanding forward foreign exchange contracts are as follows:

Notional amount	Maturity	Exchange rates
2010		
Buy USD2,000,000	12 January 2011	USD1: RMB6.642
Buy USD1,000,000	20 January 2011	USD1: RMB6.618
Sell USD2,000,000	12 January 2011	USD1: RMB6.741
Sell USD1,000,000	19 January 2011	USD1: RMB6.730
Sell USD2,000,000	25 February 2011	USD1: RMB6.673
Sell USD2,000,000	18 March 2011	USD1: RMB6.668
Sell USD2,000,000	28 April 2011	USD1: RMB6.662
Sell USD2,000,000	20 May 2011	USD1: RMB6.656
Sell USD2,000,000	21 June 2011	USD1: RMB6.650
Sell USD2,000,000	22 July 2011	USD1: RMB6.644
Sell USD2,000,000	18 August 2011	USD1: RMB6.637
Sell USD2,000,000	20 September 2011	USD1: RMB6.629
Sell USD1,500,000	18 October 2011	USD1: RMB6.490
Sell USD1,500,000	16 November 2011	USD1: RMB6.487
2009		
Buy USD2,000,000	20 October 2010	USD1: RMB6.664
Buy USD2,000,000	22 November 2010	USD1: RMB6.643
Sell USD2,000,000	25 October 2010	USD1: RMB6.478
Sell USD2,000,000	22 November 2010	USD1: RMB6.754
Sell USD500,681	6 January 2010	EUR1: USD1.428

The above derivatives were measured at fair value at the end of the reporting period. Their fair values were determined based on quoted forward exchange rates for equivalent instruments at the end of reporting period.

23. HELD FOR TRADING INVESTMENTS

	2010	2009
	US$'000	US$'000
Debentures:		
– listed in Hong Kong	4,069	–
– listed in elsewhere	5,477	–
Unlisted investment funds	13,735	–
	23,281	–

The above instruments are managed as a portfolio by a financial institution.

The fair values of the unlisted investment funds were provided by the financial institution managing the funds.

24. BANK DEPOSITS/CASH AND CASH EQUIVALENTS

Bank deposits were placed in financial institutions that are interest bearing at market rates and have a maturity of six months or less. On 31 December 2009, bank deposits totalling US$27,554,000 were denominated in HKD which is not the functional currency of respective group entities. The entities are therefore exposed to currency risk.

Cash and cash equivalents comprise bank balances and cash held by the Group and short-term deposits placed in banks and financial institutions that are interest-bearing at market interest rates and have a maturity of three months or less.

Bank balances and cash held in the PRC of US$57,538,000 (2009: US$33,374,000) were subject to foreign exchange control.

Cash and cash equivalents of US$8,368,000, US$6,924,000 and US$1,207,000 (2009: US$9,738,000, US$46,081,000 and US$2,279,000) are denominated in RMB, HKD and other currencies other than the functional currency of respective group entities and are exposed to currency risk.

The bank deposits and balances carry interest rates ranging from 0.05% to 5.00% (2009: 1.06% to 5.04%) per annum.

25. TRADE, BILLS AND OTHER PAYABLES

The following is an aged analysis of the Group's trade and bills payables presented based on invoice date at the end of the reporting period:

	2010 US$'000	2009 US$'000
Trade and bills payables:		
0 – 30 days	**70,322**	57,792
31 – 60 days	**4,073**	5,258
Over 60 days	**24,484**	7,855
	98,879	70,905
Other payables	**65,162**	66,659
	164,041	137,564

The average credit period on purchase of goods is 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe. The liquidity risk of the Group's trade and other payables are detailed in Note 6b.

Included in the Group's trade and other payables balance are creditors with aggregate amount of US$11,417,000, US$14,000 and US$861,000 (2009: US$4,988,000, US$262,000 and US$827,000) which are denominated in RMB, HKD and other currencies other than the functional currency of respective group entities and are exposed to currency risk.

26. SHARE CAPITAL

	Number of shares	Nominal value	
		HK$'000	US$'000
Ordinary of HK$0.10 each			
Authorised:			
As at 1 January 2009 and 31 December 2009 and 31 December 2010	5,000,000,000	500,000	63,975
Issue and fully paid:			
As at 1 January 2009 and 31 December 2009 and 31 December 2010	794,379,500	79,438	10,160

27. ACQUISITION OF SUBSIDIARIES

On 15 September 2010, Stella International entered a sale and purchase agreement with an individual not connected to the Group to acquire 100% of the issued capital of Simple Enterprises Limited, a company incorporated in the BVI, and its two wholly-owned subsidiaries established in the PRC (the "Simple Group") at a consideration of US$1.

The acquisition has been accounted for using the purchase method and the amount of goodwill arising as a result of the acquisition was US$2,423,000.

The Simple Group is engaged in manufacture of footwear components, which was acquired so as to expand the Group's operation.

27. ACQUISITION OF SUBSIDIARIES *(continued)*

The fair values of assets acquired and liabilities assumed at the date of acquisition and the goodwill arising are as follows:

	Simple Group Provisional fair value
	US$'000
Property, plant and equipment	3,585
Deposits paid for acquisition of property, plant and equipment	329
Inventories	595
Trade and other receivables	1,849
Bank balances and cash	1,279
Trade and other payables	(1,747)
Other borrowings	(8,313)
Net liabilities acquired	(2,423)
Goodwill	2,423
Total consideration satisfied by cash	–
Net cash inflow of cash and cash equivalents in respect of acquisition of Simple Group	
– Bank balances and cash acquired	1,279

27. ACQUISITION OF SUBSIDIARIES *(continued)*

Acquisition-related costs are negligible and have been excluded from the cost of acquisition. They have been recognised as an administrative expenses for the period in the consolidated statement of comprehensive income.

The receivables acquired (which principally comprised trade receivables) in these transaction with a fair value of US$1,849,000 have gross contractual amounts of US$1,849,000. At the acquisition date, all contractual cash flows were expected to be collected.

Goodwill arose in the acquisition of Simple Group because the cost of the combination included a premium for the assembled workforce arising from the lack of workforce in the region of the PRC in which the Group's major operation is situated. In addition, the consideration paid also effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition is not expected to be deductible for tax purposes.

Included in the profit for the year is a loss of US$2,000 incurred by Simple Group. Revenue for the year includes US$2,599,000 generated from Simple Group.

If the acquisition had been completed on 1 January 2010, total group revenue for the year ended 31 December 2010 would have been approximately US$1,304,391,000, and profit for the year would have been approximately US$121,827,000. This pro forma information is for illustration purposes only and is not necessarily an indication of the revenue and results of operations of the Group actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

The initial accounting for the acquisition of Simple Group involves identifying and then determining the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities and the cost of the business combination. The initial accounting for the acquisition has been determined provisionally by 31 December 2010, awaiting the finalisation of identification of the valuation of property, plant and equipment. Hence, the goodwill may be subject to further changes upon finalisation of initial accounting.

28. OPERATING LEASES

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2010	2009
	US$'000	US$'000
Within one year	222	222
In the second to fifth year inclusive	443	665
	665	887

All of the properties held have committed tenants for between one to four years. Leases are negotiated for terms varying from one to five years. Property rental income earned during the year was US$3,725,000 (2009: US$3,735,000).

The Group as lessee

	2010	2009
	US$'000	US$'000
Minimum lease payments paid under operating leases during the year:		
– street level stores	813	797
– other properties	3,645	3,003
	4,458	3,800
Contingent rentals	14,486	9,127
	18,944	12,927

28. OPERATING LEASES *(continued)*

The Group as lessee *(continued)*

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2010	2009
	US$'000	US$'000
Within one year	3,395	4,094
In the second to fifth year inclusive	2,355	3,341
Over five years	625	679
	6,375	8,114

Operating lease payments represent rentals payable by the Group for certain of its factories, office, shops and staff quarters. Leases are negotiated for lease term of two to twenty-five years with fixed rentals.

The above lease commitments represent basic rents only and do not include contingent rents payable in respect of certain retail shops leased by the Group. In general, these contingent rents are calculated with reference to the relevant retail shops' turnover using pre-determined formulae. It is not possible to estimate in advance the amount of such contingent rent payable.

29. CAPITAL COMMITMENTS

	2010	2009
	US$'000	US$'000
Capital expenditure authorised but not contracted for in respect of acquisition of property, plant and equipment	–	13,100
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	8,796	1,509
	8,796	14,609

30. SHARE-BASED PAYMENT TRANSACTIONS

Long Term Incentive Scheme

The Company's long term incentive scheme (the "Scheme") was adopted pursuant to a resolution passed on 15 June 2007 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 14 June 2017. Under the Scheme, the board of directors of the Company may grant an award ("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 employees, including directors of the Company and its subsidiaries. Insofar as the Listing Rules require and subject to paragraph 12.6 of the Scheme, any offer proposed to be made to a director or a chief executive or a substantial shareholder or a connected person of the Company or any of his, her or its associates must be approved by all the independent non-executive directors (excluding an independent non-executive director who is the proposed grantee).

The total number of shares in respect of which Award may be granted under the Scheme is not permitted to exceed 30% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued upon exercise of options or vesting of Award granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue the offer date, without prior approval from the Company's shareholders. The total number of shares issued or to be issued to satisfy Award granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital and with a value in excess of HK$5 million must be approved in advance by the Company's shareholders.

On 19 February 2009, a total of 2,445,500 shares of the Company had been awarded to 85 eligible participants including six directors of the Company (at the relevant time) with the remaining being 79 employees of the Group at a consideration of HK$1 per person. Pursuant to the Scheme, the Company appointed a trustee, Teeroy Limited (the "Trustee"), for the purpose of administering the Scheme and holding the awarded shares before they vest.

On 19 March 2010, a total of 1,428,000 shares of the Company has been awarded to 125 eligible participants including six directors of the Company (at the relevant time) with the remaining being 119 employees of the Group at a consideration of HK$1 per person.

30. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Long Term Incentive Scheme *(continued)*

Details of the movement with respect to the grant of the Award of the Company's shares during the two years ended 31 December 2010 and 2009 are as follows:

	Vesting date	Outstanding at 1 January 2010	Granted during the year	Vested during the year	Cancelled during the year	Outstanding at 31 December 2010
Directors	1 April 2010	306,000	–	(306,000)	–	–
	12 April 2010	–	198,000	(198,000)	–	–
	1 April 2011	306,000	198,000	–	–	504,000
	1 April 2012	–	198,000	–	–	198,000
Employees	1 April 2010	446,400	–	(444,900)	(1,500)	–
	12 April 2010	–	369,000	(366,500)	(1,500)	1,000
	1 April 2011	446,400	227,500	–	(39,500)	634,400
	1 April 2012	4,900	229,500	–	(14,500)	219,900
	1 April 2013	4,900	8,000	–	(5,500)	7,400
		1,514,600	1,428,000	(1,315,400)	(62,500)	1,564,700

	Vesting date	Outstanding at 1 January 2009	Granted during the year	Vested during the year	Cancelled during the year	Outstanding at 31 December 2009
Directors	1 April 2009	–	306,000	(306,000)	–	–
	1 April 2010	–	306,000	–	–	306,000
	1 April 2011	–	306,000	–	–	306,000
Employees	1 April 2009	–	609,900	(605,900)	(4,000)	–
	1 April 2010	–	453,900	–	(7,500)	446,400
	1 April 2011	–	453,900	–	(7,500)	446,400
	1 April 2012	–	4,900	–	–	4,900
	1 April 2013	–	4,900	–	–	4,900
		–	2,445,500	(911,900)	(19,000)	1,514,600

30. SHARE-BASED PAYMENT TRANSACTIONS *(continued)*

Long Term Incentive Scheme *(continued)*

The Trustee maintains a pool of 3,329,200 (2009: 4,644,600) shares which are available for the Trustee to satisfy the Scheme upon their respective vesting or future grant.

The total fair value of the awarded shares of approximately US$2,733,000 (2009: US$2,221,000) was determined at the date of the grant based on the market value of the shares. During the year, US$2,071,000 (2009: US$1,205,000) was recognised as an expense in the consolidated statement of comprehensive income with a corresponding credit to the share award reserve.

31. RETIREMENT BENEFIT PLANS

The employees employed in the PRC, Macau and Malaysia are members of the state-managed retirement benefit schemes operated by the government. The subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions under the schemes.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% or HK$1,000 in maximum (per employee per month) of relevant payroll costs to the scheme, and this contribution is matched by employees.

The Group also participates in defined contribution retirement schemes organised by the relevant local government authorities in other jurisdictions where the group entities operates. Certain employees of the Group eligible for participating in the retirement schemes are entitled to retirement benefits from the schemes. The Group is required to make contributions to the retirement schemes up to time of retirement of the eligible employees, excluding those employees who resigned before their retirements, at a percentage that is specified by the local governments.

32. RELATED PARTY DISCLOSURES

(I) Related party transactions

Name of company	Nature of transactions	**2010** **US$'000**	2009 US$'000
興昂制革(惠州)有限公司 (1) (Simona Tannery Co. Ltd.)	Purchase of leather and tannery products	34,117	20,709
東莞興立精密模具有限公司 (Sincerely International Limited) (1)	Purchase of molds	4,177	3,484
東莞興和塑膠制品有限公司 (1) (Sabina Footwear Co. Ltd.)	Purchase of lasts	–	3,200
東莞興泰鞋材有限公司 (Sanford International Co. Ltd.) (1)	Purchase of sole materials	8,265	5,850
	Rental expenses	114	99
東莞市長安統來刀模加工廠 (2) (Dongguan Changan Tonglai Knife Molding Factory)	Purchase of die cuts	3,775	4,139
東莞興騰鞋材有限公司 (1) (Dongguan Xintan Footwear Co. Ltd.)	Purchase of sole materials	25,701	19,360
惠州興昂鞋業有限公司 (1) (Huizhou Stella Footwear Co. Ltd.)	Purchase of footwear products	79	2,938
辛集市寶得福皮業有限公司 (3) (Xinji Baodefu Leather Co. Ltd.)	Purchase of footwear products	97,106	83,887
Cosmic Gold Enterprise Limited (3)	Processing fee paid	12,795	1,055
	Processing fee received	–	3,962
Mountain Gear Group (4)	Sales of footwear products	1,507	430
Ace Opportunity Group (4)	Sales of footwear products	1,009	–

32. RELATED PARTY DISCLOSURES *(continued)*

(I) Related party transactions *(continued)*

Notes:

(1) Companies wholly and ultimately owned by a director of the Company.

(2) Company under the control of key management personnel of the Group.

(3) Associates of the Company.

(4) Companies under the control of a director of the Company.

(II) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2010	2009
	US$'000	US$'000
Short-term benefits	**4,156**	2,712
Post-employment benefits	**5**	6
Share-based payment expenses	**877**	563
	5,038	3,281

The remuneration of directors and the key executive is determined by the Board and its remuneration committee having regard to the performance of individual and market trends.

33. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company as at 31 December 2010 is as follows:

	Note	**2010**	2009
		US$'000	US$'000
Total assets		**988,071**	972,183
Total liabilities		**(164,880)**	(165,166)
		823,191	807,017
Capital and reserves			
Share capital		**10,160**	10,160
Share premium and reserves	*(a)*	**813,031**	796,857
		823,191	807,017

Note:

(a) Reserves of the Company

	Share capital	Share premium	Capital reserve	Shares held for share award scheme	Capital redemption reserves	Share award reserve	Contribution surplus	Accumulated profit	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
As at 1 January 2009	10,160	154,503	1,146	(3,001)	190	–	530,465	101,986	795,449
Profit for the year	–	–	–	–	–	–	–	97,443	97,443
Recognition of equity-settled share-based payment	–	–	–	–	–	1,205	–	–	1,205
Purchase of shares for unvested shares under long term incentive scheme	–	–	–	(5,082)	–	–	–	–	(5,082)
Shares vested under long term incentive scheme	–	–	–	1,042	–	(832)	–	(210)	–
Dividend recognised as distribution	–	–	–	–	–	–	–	(81,998)	(81,998)
As at 31 December 2009	10,160	154,503	1,146	(7,041)	190	373	530,465	117,221	807,017
Loss for the year	–	–	–	–	–	–	–	95,908	95,908
Recognition of equity-settled share-based payment	–	–	–	–	–	2,071	–	–	2,071
Shares vested under long term incentive scheme	–	–	–	1,985	–	(1,418)	–	(567)	–
Dividend recognised as distribution	–	–	–	–	–	–	–	(81,805)	(81,805)
As at 31 December 2010	10,160	154,503	1,146	(5,056)	190	1,026	530,465	130,757	823,191

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries at 31 December 2010 and 2009 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of share held	Issued and fully paid share capital/registered capital	2010 Interest holdings		2009 Interest holdings		Principal activities
				Direct %	Indirect %	Direct %	Indirect %	
Bestsource Technology (Macao Commercial Offshore) Limited [4]	Macau	Ordinary	MOP200,000	–	100	N/A	N/A	Trading
Simple Enterprises Limited [4]	BVI	Ordinary	US$1	–	100	N/A	N/A	Investment holding
Stella Fashion Group Limited (Formerly known as N.O.I. Holding Company Limited)	BVI	Ordinary	US$4	100	–	100	–	Investment holding and wholesaling of footwear
Stella Footwear Inc.	BVI	Ordinary	US$3,947	–	100	–	100	Investment holding, manufacturing and sales of footwear
Stella International Limited	Vanuatu	Ordinary	US$1	100	–	100	–	Investment holding, manufacturing and sales of footwear
Stella International Marketing Company Limited	Malaysia	Ordinary	US$10,000	100	–	100	–	Marketing activities
Stella Luna Sol Limited	Hong Kong	Ordinary	HK$1	–	100	100	–	Holding of intellectual property rights
Stella Services Limited	Hong Kong	Ordinary	HK$300,000	100	–	100	–	Provision of secretary and accounting services
Stellaluna (Thailand) Co., Ltd.	Thailand	Ordinary	Baht20,000,000	–	70.1	–	70.1	Footwear retailing
東莞興昂鞋業有限公司 [1] (Dongguan Stella Footwear Company Limited)	The PRC	Capital contribution	HK$201,479,939	–	100	–	100	Manufacturing of footwear

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of share held	Issued and fully paid share capital/registered capital	2010 Interest holdings Direct %	2010 Interest holdings Indirect %	2009 Interest holdings Direct %	2009 Interest holdings Indirect %	Principal activities
洞口興雄鞋面有限公司 (2) (Dongkou Selena Upper Company Limited)	The PRC	Capital Contribution	US$550,000	–	100	N/A	N/A	Manufacturing of footwear
廣西北流興昂鞋面有限公司 (2) (Guangxi Bei Liu Stella Upper Company Limited)	The PRC	Capital Contribution	US$1,000,000	–	100	N/A	N/A	Manufacturing of footwear
廣西育祥鞋業有限公司 (2) (Guangxi Yu Xiang Footwear Company Limited)	The PRC	Capital contribution	US$3,000,000	–	100	N/A	N/A	Manufacturing of footwear
廣西容縣興雄鞋面有限公司 (4) (Guangxi Rong Yuan Selena Upper Company Limited)	The PRC	Capital Contribution	US$1,000,000	–	100	N/A	N/A	Manufacturing of footwear
廣西興萊鞋業有限公司 (3) (Guangxi Simona Footwear Company Limited)	The PRC	Capital contribution	US$10,000,000	–	100	–	100	Manufacturing of footwear
隆回興昂鞋業有限公司 (2) (Longhui Stella Footwear Company Limited)	The PRC	Capital Contribution	US$3,750,000	–	100	N/A	N/A	Manufacturing of footwear
興記時尚貿易(上海)有限公司 (1) (Stella Fashion Inc.) (Formerly known as 興記九興貿易(上海)有限公司(Stella Luna Fashion Inc))	The PRC	Capital contribution	US$11,000,000	–	100	–	100	Footwear retailing
龍川興萊鞋業有限公司 (1)(3) (Long Chuan Simona Footwear Company Limited)	The PRC	Capital contribution	HK$200,300,000	–	100	–	100	Manufacturing of footwear
雙峰興昂鞋業有限公司 (4) (Shuangfeng Stella Footwear Company Limited)	The PRC	Capital Contribution	HK$32,500,000	–	100	N/A	N/A	Manufacturing of footwear

Note:

(1) Dongguan Stella Footwear Company Limited, Long Chuan Simona Footwear Company Limited, Stella Fashion Inc. and Guangxi Simona Footwear Company Limited are wholly foreign-owned enterprises established in the PRC.

(2) These subsidiaries were incorporated/established during the year.

(3) The registered capital of this subsidiary was increased during the year.

(4) These subsidiaries were acquired during the year.

Financial Summary

	For the year ended 31 December				
	2006	2007	2008	2009	**2010**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
RESULTS					
Revenue	779,346	937,164	1,102,116	1,008,598	**1,293,521**
Profit for the year	91,374	114,623	124,978	102,081	**121,328**
Attributable to:					
Equity owners of the Company	91,374	114,695	124,993	102,168	**121,408**
Non-controlling interests	–	(72)	(15)	(87)	**(80)**
	91,374	114,623	124,978	102,081	**121,328**

	As at 31 December				
	2006	2007	2008	2009	**2010**
	US$'000	US$'000	US$'000	US$'000	**US$'000**
ASSETS AND LIABILITIES					
Total assets	562,971	856,730	888,277	925,587	**990,125**
Total liabilities	(123,650)	(123,610)	(135,295)	(157,110)	**(187,918)**
Shareholders' funds	439,321	733,120	752,982	768,477	**802,207**

Notes:

1. The financial information for the year ended 31 December 2006 had been prepared as if the group structure upon a group reorganisation, when the Company's shares were listed on the Stock Exchange, had been in existence throughout the year concerned. The results for the year ended 31 December 2006, and the assets and liabilities as at 31 December 2006 have been extracted from the Company's Prospectus dated 22 June 2007.

2. The results for the two years ended 31 December 2008, and the assets and liabilities as at 31 December 2007 and 2008 have been extracted from the audited consolidated statement of comprehensive income and audited consolidated statement of financial position as set out on pages 77 and 78, respectively, of the annual report dated 20 March 2009.

3. The results for the two years ended 31 December 2010, and the assets and liabilities as at 31 December 2009 and 2010 have been extracted from the audited consolidated statement of comprehensive income and audited consolidated statement of financial position as set out on page 79 and 80, respectively, of this annual report.

BOARD OF DIRECTORS

Executive Directors
CHIANG Jeh-Chung, Jack, Chairman
SHIH Takuen, Daniel, Deputy Chairman
CHAO Ming-Cheng, Eric
CHEN Li-Ming, Lawrence, Chief Executive Officer
CHI Lo-Jen

Independent Non-executive Directors
CHU Pao-Kuei
NG Hak Kim, *JP*
CHEN Johnny
BOLLIGER Peter

AUDIT COMMITTEE

CHU Pao-Kuei, Chairman
NG Hak Kim, *JP*
CHEN Johnny

CORPORATE GOVERNANCE COMMITTEE

SHIH Takuen, Daniel, Chairman
CHU Pao-Kuei
NG Hak Kim, *JP*

NOMINATION COMMITTEE

CHEN Johnny, Chairman
CHU Pao-Kuei
NG Hak Kim, *JP*
SHIH Takuen, Daniel

REMUNERATION COMMITTEE

NG Hak Kim, *JP*, Chairman
CHU Pao-Kuei
SHIH Takuen, Daniel

AUTHORISED REPRESENTATIVES

CHEN Li-Ming, Lawrence
KAN Siu Yim, Katie

CHIEF FINANCIAL OFFICER

LEE Kwok Ming, Don

COMPANY SECRETARY

KAN Siu Yim, Katie

LEGAL ADVISER

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

AUDITORS

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway, Hong Kong

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House, 68 Fort Street, P.O. Box 609
Grand Cayman, KY1-1107, Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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183 Queen's Road East, Wanchai, Hong Kong

REGISTERED OFFICE

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STOCK CODE

1836

WEBSITE

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FINANCIAL CALENDAR 2010/2011

2010 Interim Results Announcement	19 August 2010
Payment of Interim Dividend	17 September 2010
2010 Annual Results Announcement	17 March 2011
Closure of Register of Members	4 May 2011 to 6 May 2011
Annual General Meeting	6 May 2011
Payment of Final Dividend	On or about 20 May 2011
2011 Interim Results Announcement	On or about 18 August 2011

In the event of inconsistency, the English text shall prevail over the Chinese text

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九興控股有限公司*

Incorporated in the Cayman Islands with limited liability
於開曼群島註冊成立之有限公司

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