

A close-up, shallow depth-of-field photograph of a person's hand pointing towards a document on a table. The hand is in the foreground, slightly out of focus, while the document and the person's arm are in the background. The lighting is warm and soft, creating a professional and focused atmosphere.

Corporate  
*Governance*  
Report





# CORPORATE GOVERNANCE REPORT

The board (the “Board”) of directors (the “Directors”) of Stella International Holdings Limited (the “Company”) and management of the Company and its subsidiaries (collectively, the “Group”) are committed to achieving high standards of corporate governance through increasing transparency, accountability and better risk assessment and mitigation. We believe that high standard of corporate governance practices will translate into long-term returns to the shareholders of the Company (the “Shareholders”).

## CORPORATE GOVERNANCE MODEL

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

## CORPORATE PURPOSE, STRATEGY AND GOVERNANCE

### Corporate strategy, business model and culture

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

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

### Corporate Governance Functions – the 4 Rs

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

1. to develop and review the Company’s policies and practices on corporate governance and make recommendations to the Board;
2. to review the Company’s compliance with the Corporate Governance Code (the “CG Code”) contained in Appendix C1 (formerly known as Appendix 14) to the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the relevant disclosure in the Company’s annual and interim reports;
3. to develop and review the Company’s policies and practices on environmental, social and governance (“ESG”) and make recommendations to the Board;
4. to review and monitor the evaluation and management of ESG-related issues;
5. to review and monitor the progress made against ESG-related goals and targets;
6. to review the Company’s compliance with the Listing Rules on disclosure of ESG-related issues in the ESG Report;
7. to review and monitor the training and continuous professional development of directors and senior management; and
8. to review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements.

*Note:* For more details of the Group’s ESG vision, initiatives and performance, please refer to the Company’s 2023 Environmental, Social and Governance Report of the Company.

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

The Corporate Governance Committee currently has three members comprising three independent non-executive Directors, namely Bolliger Peter, Chan Fu Keung, William, *BBS* and Yue Chao-Tang, Thomas. The chairman of the Corporate Governance Committee is Bolliger Peter.

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

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

### Corporate Governance Practices

The Company's governance practices are reflected in the Group's various policies and guidelines, including the following:

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

### Compliance with CG Code

Throughout the year 2023, the Company has complied with all code provisions and, where appropriate, adopted the recommended best practices set out in the CG Code. Having regard to the individual circumstances and operations of the Group and the risks and challenges it faces, the Directors are of the view that effective application of the principles of good corporate governance set out in Part 2 of the CG Code and the underlying spirit has been achieved by such means.

## BOARD COMPOSITION AND NOMINATION

### Board composition, succession and evaluation

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

The independent non-executive Directors constitute the majority of the Board so that there is a strong independent element on the Board, which serves as a mechanism to ensure that independent views and input are available to the Board and that the Board can effectively exercise independent judgment. The independent non-executive Directors are of diversified background and competencies, with appropriate professional qualifications and/or extensive knowledge and experience in their respective business undertakings. Board independence is also maintained through regularly review by the Nomination Committee of the independence of the independent non-executive Directors. In addition, independent professional advice is sought as and when required by individual Directors.

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

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

### Board Diversity Policy

The board diversity policy of the Company is:

#### 1. Policy Statement

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

#### 2. Nominations and Appointments

The Nomination Committee is responsible for:

- reviewing the structure, size and composition of the Board;
- identifying individuals suitably qualified to become board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorship; and
- making recommendations to the Board on the appointment or re-appointment of directors and succession for directors.

### 3. Measurable Objectives

The Nomination Committee shall develop measurable objectives for implementing this policy, taking into account the Group's strategic plan and business needs. Our measurable objectives include increasing diversity of functional experience, increasing understanding of operating markets and target customer segments.

### 4. Monitoring, Tracking and Reporting

The Nomination Committee shall review this policy and report the same to the Board on an annual basis.

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

### 5. Gender Diversity

The Directors consider that gender diversity of the Board has been achieved with Ms. Shi Nan Sun and Ms. Wan Sin Yee, Sindy on board as independent non-executive Directors. The Nomination Committee will continue to search for and identify suitably qualified candidates and make nomination recommendations to the Board as and when appropriate to ensure there will be successors to the Board from time to time to maintain gender diversity wherever necessary.

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

## Board Evaluation

- *Objectives*

The Board has adopted a board evaluation programme with the following objectives:

- (i) reviewing current Board and committee practices with the view to improving efficiency and effectiveness;
- (ii) providing a periodic opportunity for the Board to review the company's corporate governance framework;
- (iii) testing Directors' knowledge of the business and its strategic situation;
- (iv) assessing the balance of skills, knowledge and experience on the Board and its committees;
- (v) identifying weaknesses that can be remedied by training and development; and
- (vi) improving the Board composition.

The Board believes that board evaluation is an on-going process and shall continuously assess its performance on a regular basis.

- *Process*

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

## Appointments, re-election and removal

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

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

All executive Directors have in-depth industry knowledge and established track record, whose interests are aligned with that of the Company. Every Director has given sufficient time and attention to the Company's affairs. The independent non-executive Directors have brought a wide spectrum of their extensive knowledge and experience in their respective business undertakings to the Board for the fullest performance of its functions.

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

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

## Nomination Committee

The principal role and function of the Nomination Committee, which are set out in its terms of reference, include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorship, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. The terms of reference of the Nomination Committee are posted on the Stock Exchange's website and the Company's website.

The Nomination Committee currently has five members comprising all independent non-executive Directors, namely, Wan Sin Yee, Cindy, Chan Fu Keung, William, BBS, Yue Chao-Tang, Thomas, Bolliger Peter and Shi Nan Sun. The chairman of the Nomination Committee is Wan Sin Yee, Cindy.

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

- reviewed the structure, size and composition of the Board;
- reviewed the board diversity policy;
- discussed succession planning;
- made recommendation as to which Directors shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election; and
- assessed the independence of independent non-executive Directors.

The Nomination Committee has been provided with sufficient resources to perform its duties. In particular, the Nomination Committee is empowered to obtain independent professional advice, and any expenses incurred shall be borne by the Company.

## DIRECTORS' RESPONSIBILITIES, DELEGATION AND BOARD PROCEEDINGS

### Responsibilities of Directors

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

All newly appointed Directors receive an induction programme on their respective appointment, which are tailored to their background, experience and their role in the Group and are designed to enable them to better understand the operations and business of the Group. The programme includes an induction package given to newly appointed Directors, which comprises a brief introduction of the Group's business and the statutory and regulatory obligations of a director of a listed company. Independent non-executive Directors are invited to site visits of major operating units of the Group and briefed by the Company's executive Directors and senior management on the Group's business and governance practices.

Subsequently Directors receive monthly updates comprising the Group's financial information and business update. In addition, they also receive market intelligence materials (called Monthly Industry Tracker), for them to better appraise the industry in which the Group operates.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 (formerly known as Appendix 10) to the Listing Rules as its code for dealing in securities of the Company by the Directors for the relevant employees of the Group.



# CORPORATE GOVERNANCE REPORT

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

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

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

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

Name of Directors	Kinds of Training
Executive Directors	
Chen Li-Ming, Lawrence (Chairman)	A, B, C
Chi Lo-Jen (Chief Executive Officer)	A, B, C
Gillman Charles Christopher	A, B, C
Chiang Yi-Min, Harvey	A, B, C
Independent Non-executive Directors	
Chen Johnny <i>(Note 1)</i>	A, B, C
Bolliger Peter	A, B, C
Chan Fu Keung, William, <i>BBS</i>	A, B, C
Yue Chao-Tang, Thomas	A, B, C
Shi Nan Sun	A, B, C
Wan Sin Yee, Sindy <i>(Note 2)</i>	A, B, C

A: Legal/regulatory  
B: Business  
C: Financial

*Notes:*

1. Retired on 11 May 2023 after the conclusion of the Annual General Meeting
2. Appointed with effect from 16 March 2023

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

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

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

### Chairman and Chief Executive

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

Chairman's responsibilities:

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

Chief Executive Officer's responsibilities:

- Provides leadership for the management
- Oversees the realisation by the Group of the objectives determined by the Board
- Provides information to the Board as is necessary to enable the Board to monitor the performance of management

## CORPORATE GOVERNANCE REPORT

- Leads the management of the Group's relationship with its stakeholders
- Puts in place programmes for management development and succession
- Establishes and maintains proper internal controls and internal audit systems
- Discharges such duties and authorities as may be delegated in writing to him/her by the Board

### Management functions

The respective responsibilities of the Board and the management of the Company have been formalised and set out in writing. The scope of matters that are retained for the Board's decision are:

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

The management of the day-to-day operations of the Group is delegated by the Board to the management. To ensure efficient day-to-day operations of the Group and handle such matters as delegated by the Board from time to time, an executive committee of the Board has been established with specific written terms of reference which deal clearly with the committee's authority and duties.

### Board Committees

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

## Board process

### Attendance records

The Directors' meetings attendance records for the year 2023 are set out below:

Board of Directors Meetings	Board of Directors Meetings	Audit Committee Meetings	Corporate Governance Committee Meetings	Nomination Committee Meeting	Remuneration Committee Meetings	Annual General Meeting
Number of Meetings	7	4	3	1	3	1/1
<b>Executive Directors</b>						
Chen Li-Ming, Lawrence (Chairman of the Board)	7/7					1/1
Chi Lo-Jen (Chief Executive Officer)	7/7					0/1
Gillman Charles Christopher	6/7					1/1
Chiang Yi-Min, Harvey	7/7					0/1
<b>Independent Non-executive Directors</b>						
Chen Johnny <sup>(Note 1)</sup>	2/3	1/1		0/1	1/2	0/1
Bolliger Peter	7/7		3/3	1/1		1/1
Chan Fu Keung, William	7/7	4/4	3/3	1/1	3/3	1/1
Yue Chao-Tang, Thomas	7/7	4/4	3/3	1/1	3/3	1/1
Shi Nan Sun	7/7			1/1		0/1
Wan Sin Yee, Cindy <sup>(Note 2)</sup>	5/5	3/3			1/1	1/1

#### Notes:

1. Retired on 11 May 2023 after the conclusion of the Annual General Meeting
2. Appointed with effect from 16 March 2023

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

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

#### Relationships among the members of the Board

Chiang Yi-Min, Harvey is the cousin of the executive director of Chi Lo-Jen. Save as aforementioned, there is no other family relationship between any of the Directors, nor are there any financial, business or other material or relevant relationships among the members of the Board during the year.

#### Meeting process

Draft agenda of regular Board meetings are made available to all Directors in advance so that they may include any additional matters they consider appropriate in the agenda.

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

Regular Board meetings in 2023 have already been scheduled to ensure compliance with the CG Code and to facilitate Directors' attendance.

The Company Secretary is responsible for preparing minutes of all Board meetings and Board committee meetings; the final versions of which are available for the Directors' inspection at the Company's principal place of business.

Minutes of Board meetings and Board committee meetings have recorded in sufficient detail all matters discussed and resolved at such meetings. Draft minutes are circulated to all Directors for comment within a reasonable time after each meeting and final versions of the minutes are circulated to all Directors for records.

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

Directors are required to declare their interest, if any, in matters before Board meetings, or if such matters are dealt with by written resolutions, in such resolutions.

In case the Director(s) concerned has a material conflict of interest, the Director(s) concerned has abstained from voting on the relevant board resolution and is not counted towards the quorum.

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



### Company Secretary

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

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

## AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

### Financial reporting

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

Before the commencement of a new financial year, annual business plan and budget are presented to the Board for approval. To evaluate the performance of the Group, presentation of business review and financial analysis of the Group is made to the Board by the management at relevant Board meetings to approve the financial results of the Group. The management provides all members of the Board with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties. The monthly updates comprise internal financial information comparing to budget, industry peer comparison, as well as market intelligence.

Directors and auditor of the Company have stated their responsibilities on pages 45 and 79 respectively of this annual report. The Board is responsible for the preparation of financial statements of the Company and ensuring that they give a true and fair view of the state of affairs of the Company according to the relevant statutory requirements and accounting standards.

### Risk management and internal control

The Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems. Such risks would include, amongst others, material risks relating to Environmental, Social and Governance ("ESG"). The Board acknowledges that such systems are designed to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure to achieve business objectives of the Group, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board oversees the Group's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the Group's risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review covers all material controls (including financial, operational and compliance controls). It including the scope and quality of management's ongoing monitoring of risks (including ESG risks) and of the internal control system, and the work of its internal audit function and other assurance providers, and the Group's ability to respond to changes in its business and the external environment. The Board also oversees management in the design, implementation and monitoring the risk management and internal control systems, and the Board has received confirmations from management on the effectiveness of the Group's risk management and internal control systems on an annual basis.

The Company has underlying procedures to handle significant control failings or weaknesses, which include material adverse event assessment, mitigation plan and follow up action. Significant control failings or weaknesses, also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Group's financial performance or condition are reported to senior management and the Audit Committee on a monthly basis. Such findings are reported subsequently at Board meetings to enable the Board or Board Committee(s) to assess control of the Group and the effectiveness of the risk management and internal control systems of the Group and impel them to timely resolve material internal control defects, which helps manage various risk factors and improve its risks mitigation. No significant control failings or weaknesses were identified during the year.

The Board reviews annually ensures the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit, financial reporting functions, as well as those relating to the Group's ESG performance and reporting. The Board had reached the conclusion that the Group's risk management and internal control systems in place are effective and adequate for financial reporting and Listing Rules compliance.

The Group's risk management and internal control systems and internal audit manual have been reviewed comprehensively and implemented according to internal operation flow and business environment changes and obtained affirmative assessment of a third-party professional body. This system, which is COSO-based, comprises 5 elements: control environment, risk assessment, control activities, information and communication, and monitoring.

The internal control procedures of the Group include strategic control, management control, compliance 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 Group has an internal audit team which reports directly to the Audit Committee and the Chief Executive Officer of the Group. Ernst & Young, the Company's external auditor, reported on matters concerning internal control of the Group for the year ended 31 December 2023 in accordance with Hong Kong Standards on Auditing to the Audit Committee during its regular meetings.

For the handling and dissemination of inside information, a Memorandum on Disclosure of (1) Inside Information and (2) Information Necessary to Avoid a False Market (the "Inside Information Memorandum") has been adopted by the Board with an aim to give guidance on the managing, protection and disclosure of inside information as well as the disclosure of information necessary for avoidance of a false market. Under the Inside Information Memorandum, the control mechanism embodies (1) control structure; and (2) control process, which are articulated as below:

#### Control Structure

Monitors business and corporate developments to identify and escalate potential inside information to attention of the designated officers, committee or the Board.

#### Control Process

Control process comprises identification of control ownership, inside information assessment reporting and communication, as well as oversight to ensure proper segregation of duties and responsibilities.

#### Policies

The Group has established a whistleblowing policy and system for employees and major stakeholders to raise concerns, in confidence and anonymity, with the audit committee about possible improprieties in any matter related to the Group. The reported cases will be investigated in a confidential and timely manner.

The Group has also established an anti-corruption and anti-bribery code of conduct to promote and support anti-corruption laws and regulations. It outlines the Anti-Fraud and Counter-Corruption Control Framework as well as the Company's culture, expectations and requirements relating to the prevention, detection, reporting and investigation of any suspected or actual fraud, corruption and other irregularities.

### Audit Committee

With the support of the Audit Committee, the Board has put in place formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company's auditor.

The principal role and function of the Audit Committee, which are set out in its terms of reference, include the review of the relationship with the Company's external auditor, review of the financial information of the Company, oversight of the Company's financial reporting system, risk management and internal control systems, review of the Company's compliance with any applicable laws and regulations, and review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action. The terms of reference are posted on the Stock Exchange's website and the Company's website.

The Audit Committee currently has three members comprising three independent non-executive Directors, namely Yue Chao-Tang, Thomas, Chan Fu Keung, William, *BBS* and Wan Sin Yee, *Sindy*. The Chairman of the Audit Committee is Yue Chao-Tang, Thomas.

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

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

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

### External Auditor and Auditor's Remuneration

The remuneration paid/payable to the external auditor of the Company in respect of audit services and non-audit services provided to the Group for the year ended 31 December 2023 was US\$629,000 and US\$183,000 respectively. The non-audit services related primarily to tax consulting services. The external auditor will not be engaged for non-audit services unless such services constitute permissible non-audit services which should be endorsed by the Audit Committee.

### Process

The Company Secretary is responsible for preparing minutes of all Audit Committee meetings and such minutes have recorded in sufficient detail all matters discussed and resolved at such meetings. Draft minutes are circulated to all members for comment within a reasonable time after each meeting and final version of the minutes is circulated to all the Directors for records.

The Audit Committee has full access to the executive Directors, the senior management and internal audit team for any information relating to the Company's financial performance, financial reporting system, risk management and internal control systems to facilitate the process of making appropriate recommendations and proposals.

In addition, the Audit Committee may obtain advice from the external legal and other independent professional advice whenever they consider necessary.



## REMUNERATION

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

### Directors' remuneration policy

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

### Remuneration Committee

The principal role and function of the Remuneration Committee, which are set out in its terms of reference, are making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, reviewing and making recommendation to the Board the management's remuneration proposals for Directors and reviewing the Group's overall human resources strategy. The terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.

The Remuneration Committee currently has three members comprising three independent non-executive Directors, Chan Fu Keung, William, *BBS*, Yue Chao-Tang, Thomas and Wan Sin Yee, Cindy. The chairman of the Remuneration Committee is Chan Fu Keung, William, *BBS*.

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

- reviewed the Group's human resources and remuneration strategies;
- reviewed major human resources projects;
- reviewed and determined the policy for the remuneration of executive Directors;
- made recommendations to the Board on the proposed remuneration packages of individual Directors and senior management; and
- reviewed and made recommendations to the Board on the grant of share options *(Note)*.

*Note:* Such grant of share options relates to the grant of 19,760,000 options to subscribe for shares in the Company (the “Share Options”) to 56 grantees, including three directors, 1,500,000 Share Options granted to Mr. Chi Lo-Jen, an executive Director and the Chief Executive Officer of the Group, 450,000 share options granted to Mr. Gillman Charles Christopher and 1,200,000 share options granted to Mr. Chiang Yi-Min, Harvey; and 16,610,000 Shares Options in aggregate granted to a total of 53 other employees of the Group under the share option scheme approved by an ordinary resolution of the Shareholders on 19 May 2017 (the “2017 Scheme”). Such Share Options were granted by the Company on 17 March 2023.

The Share Options had been granted (the “Grant”) to the relevant Directors and senior managers of the Group (the “Relevant Grantees”) taking into account their future contribution to the Group. The Grant had been made subject to no specific performance target to reward the Relevant Grantees. It was meant to provide an incentive for the Relevant Grantees to execute the Group’s strategic plan over the next three years, which was in line with the objectives of the 2017 Scheme. Although no performance target was attached to the Share Options granted, the Remuneration Committee was of the view that the grant of the Share Options could serve to retain the Director and senior managers of the Group to whom the Share Options had been granted and motivate them to contribute further to the development of the Group for the following reasons: (1) the grant was in itself a formal and official recognition of, and a show of appreciation for, the dedication and excellence the Relevant Grantees had all along demonstrated in their respective positions, and such rewards could help increase their loyalty to the Group; (2) as Directors or senior managers of the Group, the Relevant Grantees were in a direct position to drive the Group’s operational and financial performances; with the Share Options granted, the Relevant Grantees would have the opportunity to share the results achieved by the Group and thereby be rewarded for their effort at work, and they would therefore have added incentives to stay with the Group and work towards continuous improvements in business performance, sound corporate governance and sustainable growth of the Group; and (3) under the vesting conditions, the Share Options would be vested in tranches over a period of three years from the date of grant, and the Relevant Grantees would be incentivised to service the Group for a relatively long term. By aligning the interests of the Group, the Shareholders and the Relevant Grantees, the Grant could reinforce the Relevant Grantees’ commitment to the long-term development and growth of the Group, thereby achieving the objectives of the 2017 Scheme. For the above reasons, the Remuneration Committee had recommended that the Board should approve the grant of the Share Options to the Director and other relevant employees of the Group.

## Process

The Remuneration Committee adopts the model of making recommendations to the Board on the remuneration packages of individual executive directors and senior management. The procedure for setting policy on executive Directors' remuneration is as follows:

- (i) The Company's management makes recommendations to the Remuneration Committee on the executive Directors' remuneration;
- (ii) the Remuneration Committee then reviews these recommendations (with access to professional advice if considered necessary and at the Company's expense) and proposes the final remuneration package to the Board for approval; and
- (iii) No Director or any of his or her associates is involved in deciding his or her own remuneration.

The Remuneration Committee has full access to the human resources personnel and senior management if required to obtain any information relating to the human resources structure of the Group so as to facilitate making appropriate remuneration-related recommendations and proposals. The Remuneration Committee also has access to independent professional advice at the Company's expense if considered necessary.

The remuneration of the senior management of the Company by band was set out in Note 11 to the financial statements.

## SHAREHOLDERS ENGAGEMENT

### Investor relations

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

During the financial year, in order to solicit and understand the views of Shareholders and other stakeholders, over 153 investor relations activities were conducted including investor group calls, one-on-one calls and teleconferences in which Shareholders and other participants are allowed to communicate their views on various matters affecting the Group. As affected by the COVID-19 pandemic, most of the investor relations activities were conducted via conference calls or video calls. The Company's spokespersons also actively participated in virtual conferences and roadshows as well as virtual meetings. Hence, the implementation and effectiveness of the Shareholders' communication policy had not been significantly affected by the COVID-19 pandemic during the year ended 31 December 2023. Effective communication was achieved between the investment community and the Company as the Company promptly, transparently, and effectively communicated the Company's operational and financial performance under the various waves of COVID-19 pandemic in different countries during the year under review.

The Company maintains a Corporate Disclosure Policy on which the framework of Shareholders' communication policy is built. In the Corporate Disclosure Policy, the following major aspects are dealt with:

- (a) to determine the authorised Company spokespersons and their responsibilities;
- (b) to give guidelines to employees;
- (c) to determine policy on communicating with media;
- (d) to determine policy on communicating with shareholders and investment community;
- (e) to determine policy on meetings with investment community;
- (f) to determine policy on commenting on analysts' earnings estimates;
- (g) to determine policy on responding to rumours/leaks/inadvertent disclosures; and
- (h) to determine policy on forward-looking statements.

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

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

#### Constitutional documents

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

## Shareholders' rights

(a) How Shareholders can convene an extraordinary general meeting

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

(b) The procedures for sending enquiries to the Board

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

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

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

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

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

*(ii) other proposals*

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



### Annual General Meeting

In order to ensure that our shareholders are given sufficient notice of shareholders meetings and are familiar with the procedures for conducting a poll, notice of the 2023 AGM together with annual reports and financial statements are dispatched to the shareholders more than 30 days prior to the meeting. Comprehensive information is also given on each separate resolution to be proposed.

Chen Li-Ming, Lawrence, the chairman of the Board had attended the 2023 AGM and the chairman or member of the Audit Committee, the Corporate Governance Committee, the Remuneration Committee and the Nomination Committee attended the 2023 AGM to answer Shareholders' questions. In addition, members of the senior management, and Ernst & Young, the Company's external auditor, had attended the 2023 AGM to answer Shareholders' questions.

Detailed explanation regarding the procedures for demanding poll by Shareholders had been provided at the commencement of the 2023 AGM.

### DIRECTORS' AND AUDITOR'S ACKNOWLEDGEMENT

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

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

The statement of the external auditor about its reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on page 77.