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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1836)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

The board (the "Board") of directors (the "Directors") of Stella International Holdings Limited (the "Company") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015, together with the comparative figures for the previous financial year.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	**2015** *US$'000*	2014 *US$'000*
Revenue	*3*	**1,769,852**	1,663,091
Cost of sales		**(1,398,222)**	(1,314,333)
Gross profit		**371,630**	348,758
Other income		**17,670**	12,265
Other gains and losses		**(2,319)**	(4,754)
Distribution and selling expenses		**(99,863)**	(92,691)
Administrative expenses		**(98,194)**	(75,133)
Research and development costs		**(59,888)**	(52,644)
Share of result of a joint venture		**90**	–
Share of results of associates		**247**	351
Finance costs		**(628)**	(341)

* *For identification purpose only*

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the year ended 31 December 2015

	Notes	**2015**	2014
		US$'000	*US$'000*
Profit before tax		**128,745**	135,811
Income tax expense	*4*	**(8,594)**	(15,566)
Profit for the year	*5*	**120,151**	120,245
Other comprehensive (expense) income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		**(961)**	(4,211)
Share of exchange differences of associates and a joint venture		**332**	(168)
Other comprehensive expense for the year, net of income tax		**(629)**	(4,379)
Total comprehensive income for the year		**119,522**	115,866
Profit (loss) for the year attributable to:			
Owners of the Company		**121,047**	120,701
Non-controlling interests		**(896)**	(456)
		120,151	120,245
Total comprehensive income (expense) attributable to:			
Owners of the Company		**120,322**	116,362
Non-controlling interests		**(800)**	(496)
		119,522	115,866
Earnings per share *(US$)*	*7*		
– basic and diluted		**0.153**	0.152

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 US$'000	2014 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**375,339**	356,556
Prepaid lease payments		**18,044**	20,201
Interests in associates		**8,141**	7,556
Interest in a joint venture		**5,631**	–
Deposit paid for acquisition of property, plant and equipment		**27,893**	9,325
		435,048	393,638
CURRENT ASSETS			
Inventories		**208,482**	215,688
Trade and other receivables	*8*	**362,295**	363,378
Bills receivables	*8*	**317**	1,833
Loan receivable		**840**	–
Prepaid lease payments		**593**	624
Amounts due from associates		**37,544**	36,840
Amount due from a joint venture		**11,897**	–
Held for trading investments		**41,084**	42,876
Cash and cash equivalents		**145,126**	131,601
		808,178	792,840
CURRENT LIABILITIES			
Trade and other payables	*9*	**186,169**	176,626
Bank borrowings – due within one year		**15,140**	–
Tax liabilities		**53,626**	56,775
Derivative financial instruments		**788**	368
		255,723	233,769
NET CURRENT ASSETS		**552,455**	559,071
		987,503	952,709
CAPITAL AND RESERVES			
Share capital		**10,160**	10,160
Share premium and reserves		**974,909**	941,693
Equity attributable to owners of the Company		**985,069**	951,853
Non-controlling interests		**(777)**	856
TOTAL EQUITY		**984,292**	952,709
NON-CURRENT LIABILITIES			
Bank borrowing – due after one year		**3,211**	–
		987,503	952,709

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2015

	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 2014	10,160	154,503	45,427	1,146	548	(2,722)	190	1,450	722,093	932,795	755	933,550
Profit (loss) for the year	–	–	–	–	–	–	–	–	120,701	120,701	(456)	120,245
Other comprehensive expense for the year	–	–	–	–	(4,339)	–	–	–	–	(4,339)	(40)	(4,379)
Total comprehensive (expense) income for the year	–	–	–	–	(4,339)	–	–	–	120,701	116,362	(496)	115,866
Capital injection from non-controlling interests	–	–	–	–	–	–	–	–	–	–	597	597
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(97,304)	(97,304)	–	(97,304)
As at 31 December 2014	10,160	154,503	45,427	1,146	(3,791)	(2,722)	190	1,450	745,490	951,853	856	952,709
Profit (loss) for the year	–	–	–	–	–	–	–	–	121,047	121,047	(896)	120,151
Other comprehensive (expense) income for the year	–	–	–	–	(725)	–	–	–	–	(725)	96	(629)
Total comprehensive (expense) income for the year	–	–	–	–	(725)	–	–	–	121,047	120,322	(800)	119,522
Acquisition of additional interest in a subsidiary	–	–	–	–	2	–	–	–	–	2	(833)	(831)
Dividend recognised as distribution	–	–	–	–	–	–	–	–	(87,108)	(87,108)	–	(87,108)
As at 31 December 2015	10,160	154,503	45,427	1,146	(4,514)	(2,722)	190	1,450	779,429	985,069	(777)	984,292

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY *(Continued)*

For the year ended 31 December 2015

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 the 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 2015

	2015	2014
	US$'000	*US$'000*
OPERATING ACTIVITIES		
Profit before tax	**128,745**	135,811
Adjustments for:		
Depreciation of property, plant and equipment	**40,298**	39,638
Write down on inventories	**1,444**	3,794
Share of result of a joint venture	**(90)**	–
Share of results of associates	**(247)**	(351)
Net (gain) loss on changes in fair value of derivative financial instruments	**(425)**	463
Net loss on changes in fair value of held for trading investments	**816**	427
Bad debt expenses	**1,288**	–
Impairment loss recognised on trade receivables	**1,000**	2,636
Release of prepaid lease payments	**509**	629
Loss on disposal of property, plant and equipment	**2,762**	3,392
Finance costs	**628**	341
Interest income	**(3,092)**	(3,519)
Operating cash flows before movements in working capital	**173,636**	183,261
Decrease (increase) in inventories	**5,187**	(41,988)
Decrease (increase) in trade, bills and other receivables	**311**	(41,477)
Increase in loan receivable	**(840)**	–
Increase (decrease) in trade and other payables	**15,538**	(24,370)
Decrease (increase) in held for trading investments	**976**	(14,004)
Increase in amount due from a joint venture	**(704)**	–
(Increase) decrease in amounts due from associates	**(11,897)**	5,749
Cash generated from operations	**182,207**	67,171
Income taxes paid	**(11,356)**	(8,386)
NET CASH FROM OPERATING ACTIVITIES	**170,851**	58,785

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 31 December 2015

	2015	2014
	US$'000	*US$'000*
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(83,831)**	(77,393)
Prepaid lease payment of land use rights	**–**	(2,540)
Acquisition of additional interest in a subsidiary	**(831)**	–
Deposit paid for acquisition of property, plant and equipment	**(696)**	(1,816)
Proceeds from disposal of property, plant and equipment	**–**	282
Dividend received from an associate	**–**	609
Investment in a joint venture	**(5,547)**	–
Interest received	**3,092**	3,519
NET CASH USED IN INVESTING ACTIVITIES	**(87,813)**	(77,339)
FINANCING ACTIVITIES		
Interest paid	**(628)**	(341)
New bank borrowings raised	**157,300**	108,011
Repayment of bank borrowings	**(138,949)**	(108,011)
Dividend paid	**(87,108)**	(97,304)
NET CASH USED IN FINANCING ACTIVITIES	**(69,385)**	(97,645)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**13,653**	(116,199)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**131,601**	248,705
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(128)**	(905)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR, represented by bank balances and cash	**145,126**	131,601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

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

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 – 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 – 2013 Cycle

The application of the above new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and revised HKFRSs in issue 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:

HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[2]
HKFRS 15	Revenue from Contracts with Customers[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[1]

[1] *Effective for annual periods beginning on or after 1 January 2016.*

[2] *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.*

[3] *Effective for annual periods beginning on or after 1 January 2018.*

[4] *Effective for annual periods beginning on or after a date to be determined.*

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 *"Financial instruments: recognition and measurement"* are required to be subsequently measured at 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities, however, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. SIGNIFICANT ACCOUNTING POLICIES

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 and by the Hong Kong Companies Ordinance.

3. SEGMENT INFORMATION

Information reported to the chief executive 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. This is also the basis upon which the Group is organised and managed. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

(a) Operating segments

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

For the year ended 31 December 2015

	Men's footwear *US$'000*	Women's footwear *US$'000*	Footwear retailing and wholesaling *US$'000*	Segment total *US$'000*	Eliminations *US$'000*	Consolidated *US$'000*
REVENUE						
External sales	559,265	1,130,266	80,321	1,769,852	–	1,769,852
Inter-segment sales	1,743	25,632	–	27,375	(27,375)	–
Total	561,008	1,155,898	80,321	1,797,227	(27,375)	1,769,852
Inter-segment sales are charged at prevailing market rates						
RESULTS						
Segment results	78,213	190,459	(4,672)	264,000	–	264,000
Unallocated income						
– Interest income on bank balances						587
– Interest income from held for trading investments						2,306
– Rental income						1,325
– Sale of scrap						671
– Net gain on changes in fair value of derivative financial instruments						425
– Others						946
Unallocated expenses						
– Research and development costs						(59,888)
– Central administrative costs						(80,520)
– Net loss on change in fair value of held for trading investments						(816)
– Finance costs						(628)
Share of result of a joint venture						90
Share of results of associates						247
Profit before tax						128,745

For the year ended 31 December 2014

	Men's footwear *US$'000*	Women's footwear *US$'000*	Footwear retailing and wholesaling *US$'000*	Segment total *US$'000*	Eliminations *US$'000*	Consolidated *US$'000*
REVENUE						
External sales	529,685	1,033,609	99,797	1,663,091	–	1,663,091
Inter-segment sales	679	21,568	–	22,247	(22,247)	–
Total	530,364	1,055,177	99,797	1,685,338	(22,247)	1,663,091
Inter-segment sales are charged at prevailing market rates						
RESULTS						
Segment results	72,984	177,123	(4,587)	245,520	–	245,520
Unallocated income						
– Interest income on bank balances						1,308
– Interest income from held for trading investments						2,051
– Rental income						1,265
– Sale of scrap						1,557
– Others						4,234
Unallocated expenses						
– Research and development costs						(52,644)
– Central administrative costs						(66,600)
– Net loss on change in fair value of held for trading investments						(427)
– Net loss on changes in fair value of derivative financial instruments						(463)
– Finance costs						(341)
Share of results of associates						351
Profit before tax						135,811

Segment profit represents the profit earned by each segment without allocation of interest income on bank balances, net gain (loss) on changes in fair value of derivative financial instruments, rental income, sale of scrap, research and development costs, share of results of associates, share of result of a joint venture, net loss on changes in fair value of held for trading investments and central administrative costs. This is the measure reported to the Group's chief executives for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

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

	2015	2014
	US$'000	*US$'000*
Segment assets		
Men's footwear	**437,068**	377,124
Women's footwear	**447,952**	437,139
Footwear retailing and wholesaling	**60,198**	90,893
Total segment assets	**945,218**	905,156
Other assets	**298,008**	281,322
Consolidated assets	**1,243,226**	1,186,478

	2015	2014
	US$'000	*US$'000*
Segment liabilities		
Men's footwear	**81,167**	83,492
Women's footwear	**73,475**	73,799
Footwear retailing and wholesaling	**15,367**	15,912
Total segment liabilities	**170,009**	173,203
Other liabilities	**88,925**	60,566
Consolidated liabilities	**258,934**	233,769

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

- all assets are allocated to reportable segments other than held for trading investments, cash and cash equivalents and unallocated corporate assets; and
- all liabilities are allocated to reportable segments other than bank borrowings, tax liabilities and unallocated corporate liabilities not belonging to any operating segments.

Other segment information

2015

	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	**16,665**	**44,222**	**5,072**	**65,959**
Depreciation	**16,185**	**21,178**	**2,935**	**40,298**
(Reversal of) write-down on inventories	**(469)**	**2,115**	**(202)**	**1,444**
Interests in associates	**–**	**7,398**	**743**	**8,141**
Interest in a joint venture	**5,631**	**–**	**–**	**5,631**
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Share of profit of a joint venture	**90**	**–**	**–**	**90**
Share of (loss) profit of associates	**–**	**(38)**	**285**	**247**
Income tax expense	**3,373**	**5,107**	**114**	**8,594**

2014

	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	28,614	54,829	6,479	89,922
Depreciation	14,185	22,385	3,068	39,638
Write-down on inventories	128	381	3,285	3,794
Interests in associates	–	7,069	487	7,556
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Share of profit of associates	–	67	284	351
Income tax expense	7,262	6,910	1,394	15,566

(b) Revenue from major products and services

	2015 ***US$'000***	2014 *US$'000*
Men's footwear	**561,222**	528,869
Women's footwear	**1,208,630**	1,134,222
	1,769,852	1,663,091

(c) Geographical information

The Group's revenue from external customers is presented based on location of the customers. Information about the Group's non-current assets is presented based on geographical locations of the assets:

	Revenue from external customers		Non-current assets As at 31 December	
	2015	2014	**2015**	2014
	US$'000	*US$'000*	***US$'000***	*US$'000*
United States of America	**878,800**	799,690	**–**	–
The PRC	**222,363**	232,067	**322,297**	377,970
United Kingdom	**172,978**	149,193	**–**	–
Netherlands	**64,026**	58,725	**–**	–
Italy	**31,609**	54,967	**71**	90
Canada	**45,534**	45,583	**–**	–
Japan	**43,069**	45,507	**–**	–
Germany	**58,273**	37,557	**–**	–
Belgium	**35,452**	33,483	**–**	–
Spain	**28,411**	31,460	**–**	–
Others	**189,337**	174,859	**112,680**	15,578
	1,769,852	1,663,091	**435,048**	393,638

(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:

	2015	2014
	US$'000	*US$'000*
Customer A[1]	**389,121**	304,464
Customer B[1]	**296,901**	226,826
Customer C[1]	**231,165**	210,347

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

4. INCOME TAX EXPENSE

	2015	2014
	US$'000	*US$'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**15,884**	15,457
Hong Kong Profits Tax	**–**	5
Other jurisdictions	**132**	104
	16,016	15,566
Overprovision in prior years:		
PRC EIT	**(7,422)**	–
	8,594	15,566

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Under the law of the PRC on EIT and Implementation Regulation of the EIT law, the tax rate of the PRC subsidiaries is 25% for both years.

As stated in the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, Stella International Trading (Macao Commercial Offshore) Limited ("SIT (MCO)"), a subsidiary acquired in year 2011 is exempted from Macao Complementary Tax.

Taxation arising in other jurisdictions including Indonesia and Italy is calculated at the rate prevailing in the relevant jurisdictions.

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

	2015	2014
	US$'000	*US$'000*
Profit before tax	**128,745**	135,811
Tax at the applicable PRC EIT rate of 25% (2014: 25%)	**32,186**	33,953
Tax effect of expenses not deductible for tax purposes	**18,659**	17,037
Tax effect of income not taxable for tax purposes	**(801)**	(2,443)
Tax effect of share of results of associates	**(84)**	(88)
Effect of tax exemptions granted to SIT (MCO)	**(32,588)**	(32,497)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(1,356)**	(396)
Overprovision in respect of prior years	**(7,422)**	–
Income tax expense	**8,594**	15,566

5. PROFIT FOR THE YEAR

	2015	2014
	US$'000	*US$'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments	**2,437**	2,437
Other staff costs	**354,931**	337,051
Termination benefits	**12,721**	–
Retirement benefit scheme contributions, excluding directors	**4,165**	315
Total staff costs	**374,254**	339,803
Auditor's remuneration	**533**	497
Cost of inventories recognised as an expense (including write down on inventories of US$1,444,000 (2014: US$3,794,000))	**1,398,222**	1,314,333
Depreciation of property, plant and equipment	**40,298**	39,638
Release of prepaid lease payments	**509**	629
Share of taxation of associates (included in share of results of associates)	**509**	196

6. DIVIDENDS

	2015	2014
	US$'000	*US$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2014 final dividend of HK55 cents per share (2014: 2013 final dividend of HK55 cents per share and special dividend of HK10 cents per share) paid	**56,360**	66,609
2015 interim dividend of HK30 cents per share (2014: HK30 cents per share) paid	**30,748**	30,695
	87,108	97,304

Subsequent to the reporting period, a final dividend in respect of the year ended 31 December 2015 of HK55 cents (2014: final dividend in respect of the year ended 31 December 2014 of HK55 cents) per ordinary share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

7. EARNINGS PER SHARE

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

	2015	2014
	US$'000	*US$'000*
Earnings		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**121,047**	120,701
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**792,601,500**	792,601,500

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.

8. TRADE, BILLS 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 and bills receivables net of allowance for bad debts presented based on invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	2015	2014
	US$'000	*US$'000*
Trade and bills receivables:		
0 – 30 days	**142,420**	148,038
31 – 60 days	**66,190**	60,150
61 – 90 days	**11,224**	17,673
Over 90 days	**18,846**	24,753
	238,680	250,614
Other receivables	**123,932**	114,597
	362,612	365,211

Other receivables include prepayment to suppliers of US$75,284,000 (2014: US$44,683,000).

Included in the Group's trade, bills and other receivables balance are debtors with aggregate amount of US$7,715,000, US$74,000, US$3,297,000, US$3,645,000, US$523,000 and US$396,000 (2014: US$7,771,000, US$75,000, US$1,241,000, US$17,876,000, US$1,433,000 and US$1,630,000) which are denominated in RMB, HKD, EUR, MOP, IDR 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 and bills receivables that are neither past due nor impaired have no default payment history.

Included in the Group's trade and bills receivable balance are debtors with aggregate carrying amount of US$4,105,000 (31 December 2014: US$1,937,000) 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.

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

	2015	2014
	US$'000	*US$'000*
31-60 days	**1,815**	91
61-90 days	**692**	21
Over 90 days	**1,598**	1,825
	4,105	1,937

Movement in the allowance for doubtful debts

	2015	2014
	US$'000	*US$'000*
Balance at beginning of the year	**2,636**	–
Impairment losses recognised on trade receivables	**1,000**	2,636
Amounts written off as uncollectable	**(2,136)**	–
Balance at end of the year	**1,500**	2,636

9. TRADE AND OTHER PAYABLES

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

	2015	2014
	US$'000	*US$'000*
Trade payables:		
0 – 30 days	**67,535**	60,865
31 – 60 days	**7,050**	6,561
Over 60 days	**14,276**	24,374
	88,861	91,800
Other payables	**97,308**	84,826
	186,169	176,626

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.

Included in the Group's trade and other payables balance are creditors with aggregate amount of US$26,599,000, US$3,000, US$1,680,000, US$10,259,000, US$5,420,000 and US$316,000 (2014: US$38,478,000, US$3,000, US$1,742,000, US$747,000, US$2,077,000 and US$113,000) which are denominated in RMB, HKD, EUR, MOP, IDR and other currencies other than the functional currency of respective group entities and are exposed to currency risk.

CHAIRMAN'S STATEMENT

2015 was a volatile year for the global economy. Much of the optimism that had arisen alongside the steady job creation and GDP growth figures posted by developed markets during the first half of the year gave away to concern about the growth crisis facing many developing economies following the rapid fall in commodity prices in the second half of the year.

China has not been immune to this volatility with the sudden crash of the Mainland stock markets and worries about public and private debt levels weighing on markets and consumer activity as well.

Fortunately for us, volatility and swaying confidence has long been a feature of our operational environment and it did not prevent us from benefiting from the prudent steps that we, as a Group, have taken earlier to protect our competitive advantages and deliver continuous value to our customers. This has enabled us to further grow our market share and add more brand names to our portfolio.

The first of these steps is our long-term efforts to optimise our manufacturing base to reduce the impact from the lack of labour supply and rising wages in coastal areas of China. The earlier investments that we made to open new manufacturing facilities in inland provinces of China and South-East Asia is bearing fruit. We are now at the stage where our workforces at these locations can deliver more complex and value-adding processes at the same level of quality and efficiency as our longer-running facilities. This has enabled us to progressively shift manufacturing operations for higher-value footwear products away from costlier coastal areas of China.

Another step has been our strong investment in research and development, which has allowed us to introduce new footwear products at the same time that the market is demanding them. The most prevalent of these new products has been sports fashion sneakers – a product segment that even high-end and luxury brands are expanding into as consumers around the world increasingly opt for crossover products that still offers sophistication and fashion at a slightly lower price point. Our long history of providing cost-efficient yet extremely high quality footwear products to luxury and high-end brands, as well as casual sneakers to other brands, put us in a unique position to cater to this trend.

Both of these factors contributed to our improved financial performance in 2015 and should continue to cushion our financial performance heading into 2016.

This cushion will be important with 2016 already shaping up to be a difficult year for our major export markets. The poor performance of the U.S. stock markets since the beginning of the year, combined with persistently low inflation and wage growth, has only added weight to pessimistic views about the strength of its economic recovery. The upcoming presidential election in the United States may also constrain the ability of authorities to pursue growth-friendly policies. On the other side of the Atlantic, lingering concerns about the strength of European unity in the face of the current refugee crisis, terrorist attacks in Paris in 2015 and a possible 'Grexit' or 'Brexit' in the future could jeopardise consumer sentiment.

Our retail business in China will also continue to face challenges amid slowing economic growth and uncertainty about the government's ability to manage risks in the financial sector. However, I have great confidence in the abilities of our new, highly experienced retail management team and in the ideas and initiatives they are putting in place to improve our retail performance.

In summary, our work boils down to us doing what we have to do to achieve our mission of "making the best shoes". As long as Stella is able to provide the level of quality, craftsmanship and value to our manufacturing and retail customers that we are famous for, our future will always be assured.

On this note, I would like to extend my thanks and sincere gratitude to all those whose tireless work and unwavering support continue to make Stella what it is today. This includes our valued shareholders, business partners and customers. Finally, on behalf of the Board and myself, I would like to thank my colleagues for their dedicated service and hard work throughout the year.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Model and Strategy

Stella is a leading developer, manufacturer and retailer of quality footwear and leather goods products. Our manufacturing business was founded in 1982 with a simple mission of "making the best shoes". We provide a one-stop shop for the design, development and manufacturing of premium and luxury footwear and leather goods.

Our business is positioned at the high-end of the value chain, offering craftsmanship, innovation, short lead times, and small batch production. Our commitment to quality has enabled us to attract a growing client base: from premium to high-end, and from fashion to sports and casual brands.

We launched our retail business in 2006 in order to diversify our business and tap growing demand for affordable luxury footwear in China and across the region. All our retail products are designed and manufactured in-house and have quickly attracted a strong following among China's upwardly mobile consumers.

Our retail business currently consists of three self-developed brands – *Stella Luna*, *What For* and *JKJY by Stella* – and joint-venture brand *Pierre Balmain*. Our network of retail stores is primarily focused in Mainland China, with additional stores in France, the Philippines, Thailand, Taiwan, Kuwait, Lebanon and the United Arab Emirates.

Financial Highlights

Demand for New Products Support Stable Performance

Increasing demand for some of our new footwear products, particularly sports fashion footwear supported our overall financial performance during the year under review. Total shipment volumes were also supported by the continued economic recovery in North America – our biggest export market, with many of our U.S. brand customers also continuing to expand their businesses into Europe.

However, declining confidence among a number of our customers continued to constrain demand for many footwear segments, such as our fashion, outdoor and casual footwear products.

Our consolidated revenue for the year ended 31 December 2015 rose 6.4% to US$1,769.9 million (2014: US$1,663.1 million). Shipment volumes rose 9.6% to 58.2 million pairs (2014: 53.1 million pairs). The average selling price ('ASP') of our footwear products fell a slight 1.0% to US$29.3 per pair (2014: 29.6 per pair) as a result of both lower raw material costs and changes to our product mix.

Women's fashion footwear continues to be our largest segment, contributing 39.5% of total revenue (2014: 40.0%) during the year ended 31 December 2015. The contributions from our women's and men's casual footwear segments were 24.4% (2014: 22.2%) and 22.0% (2014: 21.5%) respectively. The contribution from our men's fashion footwear segment was 9.6% (2014: 10.3%).

Geographically, North America and Europe remain our two largest markets, accounting for 52.8% and 26.2% of our total revenue for the year under review. This was followed by the PRC (including Hong Kong), which accounted for 12.6%, Asia (other than the PRC), which accounted for 6.4% and other geographic regions, which accounted for 2.0%.

Retail Business Continues to Encounter Challenges

We continued to push forward our retail optimisation strategy, which includes the use of more online platforms to clear off-season merchandise, the selective opening of new standalone stores in high-potential shopping mall locations and the addition of more points-of-sales in Europe.

Despite our effort on retail optimisation, our retail business encountered a number of headwinds in 2015, including slowing economic growth in China and unseasonable weather, particularly in the second half of the year. These challenging conditions were the main contributors to the 19.5% decline in retail revenue during the year under review to US$80.3 million (2014: US$99.8 million), with the retail business contributing around 4.0% to the Group's overall revenue. The same challenging conditions also resulted in a 18.9% fall in same-store sales (in China only) to US$70.9 million (2014: US$71.7 million).

Our retail business recorded a gross profit of US$53.4 million (2014: US$58.2 million) and a net loss of US$3.6 million (2014: net loss of US$5.1 million).

Stable Profitability as Group Reaches End of Inland Migration Strategy

Our gross profit across all business segments during the year ended 31 December 2015 rose 6.6% to US$371.6 million (2014: US$348.8 million) as a result of higher overall revenue and shipment volumes. Our gross profit margin for the year remained at 21.0% (2014: 21.0%).

Full year net profit attributable to equity holders of the Company increased 0.3% to US$121.0 million (2014: US$120.7 million), despite a one-off expense of US$12.7 million incurred for the closure of one of our manufacturing facilities in Dongguan, China.

We oversaw a substantial increase in cash generated from operations, up from US$72.8 million to US$169.9 million. This was mainly due to a decrease in working capital. As we reached the end of our inland migration strategy, capital expenditure increased to US$85.3 million during the year under review, compared to US$81.7 million for 2014. We paid out US$87.1 million in dividends during the year under review.

Business Review

Improved Capacity Utilisation and Excellent Quality Standards at New Manufacturing Facilities

We have been steadily diversifying and optimising our manufacturing base since 2007 in order to secure the stable workforce required to deliver the level of quality demanded by our customers and to maintain our reputation for delivering 'Italian shoes made in China by Stella'.

Labour supply has been a persistent problem in China's coastal regions as expanding economic opportunities over the past decade reduced the size of China's migrant workforce.

In order to gradually replace much of our transient migrant workforce with a resident and more career-focused workforce, we have opened new manufacturing facilities in China's Hunan and Guangxi provinces, as well as in a number of South-East Asian countries, including Vietnam, Indonesia and Bangladesh. The Group has also established footholds in the Philippines and Myanmar, which may lead to the establishment of new manufacturing facilities in these countries sometime in the future.

During the year under review, the workforces at our new manufacturing facilities in inland China and South-East Asia has made tremendous strides in increasing manufacturing efficiency and capacity utilisation, as well as in attaining the level of skill and quality standards needed to develop more complex footwear products. This has enabled us to shift more and more of our manufacturing capacity to these locations, as well as to expand our overall annual capacity to 62 million pairs, without any compromise in quality.

Ability to Deliver 'Italian Quality' Supports Further Growth of Market Share

Over many years, Stella has built an unparalleled reputation for 'Italian quality', flexibility and research and development capabilities. This ensures that we attract a higher ASP than the industry average. During the year under review, we continued to steadily grow our global market share for the manufacturing footwear within the higher-quality footwear segments, as well as in emerging product streams such as sports-fashion footwear.

Our share of the global premium footwear market grew to around 11.6% in the year ended 31 December 2015, compared to the combined 74.8% global market share of Italian, Spanish and Portuguese manufacturers – Europe's main high-end producers. This growth was mainly attributable to the further expansion of our brand portfolio as we added new customers during the year under review, as well as the continued decline of shoe production volumes in some locations such as Italy.

We expect our global market share to be supported further by the recent signing of the Trans-Pacific Partnership trade agreement in February 2016, which should boost our global competitiveness by greatly reducing entry barriers into the United States market, particularly for our footwear products manufactured in Vietnam. High labour costs and aging labour forces will also continue to contribute to the declining market share of European manufacturers, while simultaneously increasing the attractiveness of our footwear products.

The following table shows a summary of production and export price data for major footwear producing countries for the year ended 31 December 2015.

	Production (million pairs)	**Export price – all shoes (USD/pair)**	**Export price – leather shoes only (USD/pair)**
Italy	197	51	69
France	23	32	62
Spain	102	22	41
Portugal	75	32	37
Germany	30	23	41
Great Britain	6	13	N/A
Brazil (leather export)	17	8	N/A

Source: 2015 Yearbook, Portuguese Footwear, components and leather goods manufacturers' association

We also continued to invest in our state-of-the-art design, research and development centres in Dongguan, China and Venice, Italy in order to further differentiate ourselves from our competitors and expand our range of quality, value-adding footwear products. We are also continuing to explore the manufacture of quality leather goods and accessories, including handbags, in order to meet growing demand from brands looking to outsource the production of these products.

Emerging 'Athleisure' Trend Becoming a Growth Driver

We have been extremely proactive in expanding our range of fashion sneakers – a fashionable take on the traditional sports shoes – and a product segment that is being increasingly demanded by our customers as the border between fitness and fashion blurs. Throughout the year, we have been gradually adding new fashion sneaker products made from fabric and synthetic materials, expanding our existing range of leather-based fashion sneakers.

This growing demand for fashion sneakers largely offset slower demand for fashion footwear products, which have been affected by sluggish economic recovery in our major export markets.

Ongoing Implementation of Multiple Strategies for Retail Business

Slowing economic growth in China, as well as unseasonable weather in the second half of the year under review, continued to challenge our efforts to turnaround our retail business. Our new retail management team is currently rolling out a number of changes to our merchandising and day-to-day operations, including ramping up our presence on online platforms and closing some underperforming counters at department stores.

Our online flagship stores for *Stella Luna, JKJY by Stella* and *Pierre Balmain* on VIPLUX – a popular Chinese luxury online retail platform – as well as our online flagship stores for *Stella Luna* and *What For* on Tmall, are also attracting more traffic. Each of these online stores are important conduits for retailing our off-season merchandise in a cost-efficient manner and have enabled us to maintain better margins compared to traditional clearance channels, such as department stores. We have also increased our utilisation of social media, such as WeChat, to keep our customers informed about our latest retail offers and provide better customer service.

Another ongoing strategy being implemented is the optimisation and adjustment of our brand footprints and store networks. We opened a selected number of new stores in quality locations during the year under review where conditions were favourable. We also focused closely on improving the positioning of our existing standalone stores and shops-in-shops, while opening more points-of-sales in Europe, in order to increase the value of our brands.

In the year ended 31 December 2015, the Group had opened one *Stella Luna* store and one joint venture *Pierre Balmain* store and closed 18 *What For* stores and one *JKJY by Stella* store.

The following table shows the geographic distribution of our stores, by brand, as of 31 December 2015.

	Stella Luna	*What For*	*JKJY by Stella*	*Pierre Balmain*
Greater China				
Eastern China	59	13	0	0
Southern China	49	16	2	1
Northern China	69	32	1	1
Taiwan	2	0	1	0
Subtotal	179	61	4	2
France	7	40	1	0
Philippines	2	1	1	0
Thailand	6	4	1	0
Kuwait	2	2	0	0
Lebanon	9	8	0	0
United Arab Emirates	4	1	0	0
Total	**209**	**117**	**7**	**2**

Growing Retail Brand Value

The expanding presence of *Stella Luna*, *What For* and *JKJY by Stella* in Europe has continued to have a highly positive impact on the overall value of our brands.

Since opening our flagship stores on Paris' famous Boulevard Saint-Germain and Rue Saint-Honoré in 2012 and 2013 respectively, our retail network in France has grown to 48 points-of-sales, including counters at famous department stores such as Galeries Lafayette and Le Printemps. Between 50% and 60% of customers at our Paris stores are local Parisians, some of the most sophisticated consumers in the world. This is a testament to the growing effectiveness of our positioning as a Chinese brand with Italian design and recognition of the value this provides to the discerning shoe-lovers.

We have also recently successfully invited Capucine Safyurtlu, a former fashion and market editor at French Vogue, to be our first-ever creative director for *Stella Luna* in order to grow the value and recognition of our brands even further. This is part of our continued efforts to grow our brands in Europe and China, as well as to transfer brand equity from Europe back to China, in order to support our broader turnaround strategy.

As of 31 December 2015, *Stella Luna* footwear was priced between RMB1,880 and RMB5,680 a pair in China, while *What For* and *JKJY by Stella* products retailed for RMB880 – RMB2,380 and RMB1,680 – RMB3,380 respectively.

Business Outlook

Orders Expected to Gradually Pick-up in 2016

In the coming year, we expect some of our customers to adopt a cautious attitude to orders in response to uncertainties in many parts of the global economy. However, we remain cautiously optimistic about seeing a gradual pick-up in orders, particularly for certain segments such as sports fashion footwear products. We also expect to further improve productivity at our factories in inland China and South-East Asia.

Despite this, numerous risks remain in the coming year, including continued sluggish economic growth in the United States and Europe, slowing economic growth in China and destabilising forces caused by the deep drop in oil prices. Geopolitical events, such as the Syrian refugee crisis and the declining security situation in Europe, as well as political inertia and uncertainty in the lead up to the U.S. Presidential election could also have unforeseen effects on consumer confidence in our major export markets.

Consolidation of Manufacturing Capacity and Ongoing Focus on Cost-controls and Quality

With our new manufacturing facilities in inland China and South-East Asia now reaching high quality and efficiency standards, as well as higher capacity utilisation, the Group has decided to consolidate our manufacturing capacity in coastal China in order to reduce costs and preserve our profitability.

In February 2016, we closed one of our factories in Dongguan, China, reducing our overall workforce by 2,047. Such a closure which has been planned for some time, will have no impact on our overall capacity and our ability to meet orders. Our research and development centre and most of the manufacturing capacity for our fashion footwear products will remain in Dongguan.

The conservative outlook adopted by some of our customers means that the continued implementation of strict cost controls and efficiency improvement measures at each of our facilities remains critically important. We will also continue to safeguard our ability to meet narrow shipment windows in order to maintain our competitive advantages and ability to add value for our customers.

We will also continue to invest in our research and development capabilities in order to improve and extend our range of innovative footwear products to deepen our customer relationships and remain the partner of choice for leading footwear brands around the world.

Ongoing Investment in People

The training and development of new talent remains a core focus at both our manufacturing and retail businesses. We invest heavily in the training and mentoring of our workforce to further boost their skills and capabilities and improve productivity.

We will also continue to ensure that our industrial relations practices conform to the Group's strict Corporate Social Responsibility standards to uphold employee morale and to reduce labour turnover. As a responsible employer, we have already set aside adequate resources to meet all legal and financial obligations due to employees at the factories we are closing in Dongguan.

Continued Commitment to Turnaround Retail Business

Our new retail management team will be focusing on a number of measures in order to improve the performance of our retail business in 2016. This includes further expanding our presence in Europe to further grow the global value of our brands and to bring some of this brand equity back to China. We also plan to refresh and refurbish some of our older stores in China in order to boost same-store sales, while continuing to open a selected number of standalone stores and shop-in-shops in high-potential locations. We will also be launching alternative ways to manage our retail stores in China, including franchises.

We will continue to utilise third-party online platforms to more efficiently clear our off-season merchandise. However, we will also be considering ways to directly retail our brands to customers online, such as adding e-commerce functions to our brand websites.

Liquidity, Financial Resources and Capital Structure

The Group remained in a stable financial position throughout 2015, with cash and cash equivalents of about US$186.2 million (2014: US$174.5 million) as at 31 December 2015, representing an increase of 6.7% as compared to the position as at 31 December 2014.

The Group's net cash inflows from operating activities rose to US$169.9 million (2014: US$72.8 million) for the year, representing an increase of 133.4%.

Net cash outflows used in investing and financing activities grew to US$86.8 million and US$69.4 million, respectively.

As at 31 December 2015, the Group had current assets of US$808.2 million (2014: US$792.8 million) and current liabilities of about US$255.7 million (2014: US$233.8 million). The current ratio (which is calculated on the basis of current assets over current liabilities) was 3.2 as at 31 December 2015, an indication of the Group's high liquidity and healthy financial position.

Bank Borrowings

The Group had bank borrowings of US$18.3 million as of 31 December 2015 (2014: Nil).

Foreign Currency Exposure

During the year ended 31 December 2015, 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 or RMB. Currency exposures were mostly denominated in RMB and Hong Kong dollars against the functional currency of the relevant Group company.

The Group has entered into various foreign currency forward contracts to minimise the Group's exchange rate exposure.

Capital Expenditure

Net cash outflows from investing activities was US$86.8 million (2014: US$91.3 million) during the year under review, representing a decrease of 4.9%. Capital expenditure amounted to approximately US$85.3 million (2014: US$81.7 million), of which approximately US$80.2 million was used in production capacity expansion and approximately US$5.1 million was used for the optimisation of our retail store network.

Pledge of Assets

As of 31 December 2015, the Group had pledged US$5.5 million of its assets (2014: Nil).

Contingent Liabilities

As of 31 December 2015, the Group had no material contingent liabilities (2014: Nil).

Employees

As at 31 December 2015, the Group had approximately 83,000 employees (2014: approximately 83,000). We cultivate a caring, sharing and learning culture among our employees and believe that human resources are significant assets to the Group's development and expansion. We actively seek to attain, train and retain individuals who are proactive, positive, committed to and passionate about our business.

The Group has continued to build a strong management team internally through effective learning and promotion programs, including our "Leadership Program" to identify potential high calibre employees, to assess the quality of senior management and ultimately to determine appropriate remuneration and other human resources development measures.

As of 31 December 2015, our recruitment efforts remained satisfactory, despite the labour shortages in our primary manufacturing locations in China.

DIVIDEND

The Board recommended the payment of a final dividend of HK55 cents per ordinary share to shareholders of the Company (the "Shareholders") for the year ended 31 December 2015. The proposed final dividend, amounting to approximately US$56.4 million, will be paid to Shareholders whose names appear on the register of members of the Company on 2 June 2016, if the proposal is approved by the Shareholders at the forthcoming annual general meeting of the Company (the "AGM") to be held on 27 May 2016. It is expected that the final dividend, if approved, will be paid on or about 28 June 2016.

In order to qualify for the proposed final dividend to be approved at the AGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 2 June 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25 May 2016 to 27 May 2016 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending and voting at the forthcoming AGM of the Company, all share transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 24 May 2016.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2015 except for code provisions B.1.5 and E.1.2 as follows:–

For code provision B.1.5 of the CG Code, the Company decided not to disclose details of remuneration payable to members of senior management by band in the annual report of 2015. The reason for not making such disclosure is that the Board would like to observe the competitive market practices and to respect individual privacy.

For code provision E.1.2 of the CG Code, Mr. Chiang Jeh-Chung, Jack, the chairman ("Chairman") of the Board, had not attended the annual general meeting of the company held on 22 May 2015 ("2015 AGM"). Instead, Mr. Chen Li-Ming, Lawrence, the Chief Executive Officer, took the chair at the 2015 AGM (on behalf of Mr. Chao Ming-Cheng, Eric, the Deputy Chairman), and the chairman or member of the Audit Committee, Corporate Governance Committee, Remuneration Committee and Nomination Committee attended the 2015 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. The Chairman is mainly responsible for managing major customers' relationship and overseeing strategies of the Group, while the Deputy Chairman is responsible for providing leadership and management to the Board. 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 the stakeholders. The Board will regularly review the effectiveness of the segregation of roles to ensure its appropriateness under the Group's prevailing circumstances.

Save for the said deviations from the CG Code, the Group has been in compliance with the CG Code in all material respects and has upheld a high standard of corporate governance which, the Directors believe, are of higher standard than that required under the CG Code in various aspects.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year ended 31 December 2015.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board has reviewed the annual results of the Group for the year ended 31 December 2015.

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.

By order of the Board
Stella International Holdings Limited
Chiang Jeh-Chung, Jack
Chairman

Hong Kong, 23 March 2016

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