STELLA
INTERNATIONAL

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 2024

Highlights:

– Shipment volumes increased by 8.2%

– Operating profit increased by 15.7% to US$184.5 million

– Operating profit margin increased to 11.9% from 10.7% last year

– Net Profit increased by 21.2% to US$170.1 million

– Solid net cash position of US$417.6 million, representing an increase of 45.3% compared to US$287.4 million as at 31 December 2023

– Recommended payment of final dividend of HK50 cents per share and additional special dividend of HK56 cents per share from the excess cash return program. Total dividend[#] for full-year 2024 is HK171 cents

\# *Subject to shareholders' approval of the proposed final dividend and special dividend at the forthcoming annual general meeting*

* *For identification purpose only*

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 2024, together with the comparative figures for the previous financial year.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	**2024** ***US$'000***	2023 *US$'000*
Revenue	*4*	**1,545,114**	1,492,651
Cost of sales		**(1,161,157)**	(1,125,923)
Gross profit		**383,957**	366,728
Other income	*5*	**7,878**	7,026
Other gains and losses, net	*5*	**10,647**	510
Selling and distribution expenses		**(40,389)**	(44,044)
Administrative expenses		**(164,084)**	(152,022)
Impairment losses on financial assets, net		**(16,013)**	(23,797)
Share of profit of a joint venture		**2,538**	4,952
Operating profit before changes in fair value of financial instruments		**184,534**	159,353
Net fair value loss on financial assets at fair value through profit or loss		**(1,106)**	(7,308)
Operating profit after changes in fair value of financial instruments		**183,428**	152,045
Interest income	*5*	**16,129**	10,234
Interest expense		**(735)**	(943)
Profit before tax	*6*	**198,822**	161,336
Income tax expense	*7*	**(28,688)**	(21,081)
Profit for the year		**170,134**	140,255

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2024

	Note	**2024**	2023
		US$'000	*US$'000*
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(23,443)**	(5,579)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(23,443)**	(5,579)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**146,691**	134,676
Profit attributable to:			
Owners of the parent		**171,049**	141,072
Non-controlling interests		**(915)**	(817)
		170,134	140,255
Total comprehensive income attributable to:			
Owners of the parent		**147,627**	135,505
Non-controlling interests		**(936)**	(829)
		146,691	134,676
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
– Basic (in HK dollar)		**1.6490**	1.3937
(equivalent to US dollar)		**0.2113**	0.1780
– Diluted (in HK dollar)		**1.6146**	1.3919
(equivalent to US dollar)		**0.2069**	0.1778

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Notes	2024 US$'000	2023 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**387,161**	378,853
Investment properties		**1,661**	2,435
Right-of-use assets		**73,037**	80,081
Investment in a joint venture		**49,939**	47,401
Investments in associates		**–**	–
Financial assets at fair value through profit or loss		**2,363**	3,469
Pledged deposits		**5,795**	5,637
Deposits for acquisition of property, plant and equipment and leasehold land		**10,169**	14,298
Total non-current assets		**530,125**	532,174
CURRENT ASSETS			
Inventories		**203,347**	197,122
Trade receivables	*10*	**234,552**	277,820
Prepayments, deposits and other receivables		**31,790**	58,109
Financial assets at fair value through profit or loss		**5**	5
Cash and cash equivalents		**423,547**	294,471
Total current assets		**893,241**	827,527
CURRENT LIABILITIES			
Trade payables	*11*	**95,104**	82,756
Other payables and accruals		**127,633**	138,186
Interest-bearing bank borrowings		**1,319**	1,324
Lease liabilities		**2,377**	2,870
Tax payable		**52,713**	40,100
Total current liabilities		**279,146**	265,236
NET CURRENT ASSETS		**614,095**	562,291
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,144,220**	1,094,465

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2024

	2024	2023
	US$'000	*US$'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**4,552**	5,786
Lease liabilities	**3,750**	5,264
Deferred tax liabilities	**18,379**	15,951
Total non-current liabilities	**26,681**	27,001
Net assets	**1,117,539**	1,067,464
EQUITY		
Equity attributable to owners of the parent		
Share capital	**10,546**	10,171
Share premium and reserves	**1,091,670**	1,041,034
	1,102,216	1,051,205
Non-controlling interests	**15,323**	16,259
Total equity	**1,117,539**	1,067,464

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Note	2024 US$'000	2023 US$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**198,822**	161,336
Adjustments for:			
Finance costs		**735**	943
Share of profit of a joint venture		**(2,538)**	(4,952)
Interest income	*5*	**(16,129)**	(10,234)
(Gain)/loss on disposal of items of property, plant and equipment		**(10,006)**	3,284
Gain on disposal of leasehold land		**(4,184)**	–
Gain on early termination of leases		**–**	(326)
Fair value loss on financial assets at fair value through profit or loss, net		**1,106**	7,308
Depreciation of property, plant and equipment		**47,944**	47,337
Depreciation of investment properties		**721**	766
Depreciation of right-of-use assets		**6,628**	8,113
Impairment of trade receivables, net		**16,013**	23,797
Write-down of inventories, net		**753**	5,525
Gain on liquidation of an associate		**–**	(8)
Provision for equity-settled share option expense		**1,477**	3,474
		241,342	246,363
Increase in inventories		**(6,799)**	(13,774)
Decrease/(increase) in trade receivables		**27,984**	(37,742)
Decrease/(increase) in prepayments, deposits and other receivables		**8,908**	(3,074)
Increase in trade payables		**13,667**	15,975
(Decrease)/increase in other payables and accruals		**(7,287)**	32,475
Cash generated from operations		**277,815**	240,223
Interest paid		**(317)**	(532)
Taxes paid		**(13,431)**	(10,538)
Net cash flows from operating activities		**264,067**	229,153

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Year ended 31 December 2024

	2024	2023
	US$'000	*US$'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**16,129**	10,234
Purchases of items of property, plant and equipment	**(66,559)**	(55,699)
Additions to right-of-use assets	**–**	(11,600)
Deposits paid for acquisition of property, plant and equipment and leasehold land	**(421)**	(339)
Proceeds from disposal of property, plant and equipment	**14,357**	452
Proceeds from disposal of leasehold land	**5,298**	–
Proceeds from liquidation of an associate	**–**	532
Placement of pledged deposits	**(158)**	(153)
Net cash flows used in investing activities	**(31,354)**	(56,573)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank loans	**111,418**	61,316
Repayment of bank loans	**(112,528)**	(61,432)
Principal portion of lease payments	**(3,021)**	(3,626)
Dividends paid	**(131,582)**	(88,074)
Interest paid	**(418)**	(411)
Proceeds from issue of shares upon exercise of share options	**33,489**	1,439
Net cash flows used in financing activities	**(102,642)**	(90,788)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**130,071**	81,792
Cash and cash equivalents at beginning of year	**294,471**	213,303
Effect of foreign exchange rate changes, net	**(995)**	(624)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**423,547**	294,471
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances other than time deposits	**85,313**	51,891
Non-pledged time deposits with original maturity of less than three months when acquired	**338,234**	242,580
Cash and cash equivalents as stated in the consolidated statement of financial position	**423,547**	294,471

NOTES TO FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in United States dollars ("US$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

– the manufacturing segment engages in the sale and manufacturing of footwear and handbag

– the retailing and wholesaling segment engages in the sale of products of self-developed brands

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

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

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

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

Year ended 31 December 2024

	Manufacturing *US$'000*	Retailing and wholesaling *US$'000*	Total *US$'000*
Segment revenue *(note 4)*			
Sales to external customers	**1,542,519**	**2,595**	**1,545,114**
Intersegment sales	**2,391**	**–**	**2,391**
Total segment revenue	**1,544,910**	**2,595**	**1,547,505**
Reconciliation:			
Elimination of intersegment sales			**(2,391)**
Revenue			**1,545,114**
Segment results	**200,144**	**(9,522)**	**190,622**
Reconciliation:			
Corporate and other unallocated income and gains			**24**
Corporate and other unallocated expenses and losses			**(8,650)**
Share of profit of a joint venture			**2,538**
Operating profit before changes in fair value of financial instruments			**184,534**
Net fair value loss on financial instruments at fair value through profit or loss			**(1,106)**
Operating profit after changes in fair value of financial instruments			**183,428**
Interest income			**16,129**
Interest expense			**(735)**
Profit before tax			**198,822**
Segment assets	**1,374,058**	**32,659**	**1,406,717**
Reconciliation:			
Corporate and other unallocated assets			**16,649**
Total assets			**1,423,366**
Segment liabilities	**295,376**	**2,600**	**297,976**
Reconciliation:			
Corporate and other unallocated liabilities			**7,851**
Total liabilities			**305,827**

	Manufacturing	Retailing and wholesaling	Total
	US$'000	*US$'000*	*US$'000*
Other segment information			
Share of profit of a joint venture	**2,538**	**–**	**2,538**
Impairment of trade receivables, net	**7,439**	**8,574**	**16,013**
Gain on disposal of items of property, plant and equipment	**10,006**	**–**	**10,006**
Gain on disposal of leasehold land	**4,184**	**–**	**4,184**
Depreciation of property, plant and equipment	**47,884**	**60**	**47,944**
Depreciation of right-of-use assets	**6,607**	**21**	**6,628**
Write-down of inventories, net	**662**	**91**	**753**
Income tax expense	**28,584**	**104**	**28,688**
Investment in a joint venture	**49,939**	**–**	**49,939**
Capital expenditure*	**66,980**	**–**	**66,980**

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

Year ended 31 December 2023

	Manufacturing *US$'000*	Retailing and wholesaling *US$'000*	Total *US$'000*
Segment revenue *(note 4)*			
Sales to external customers	1,488,042	4,609	1,492,651
Intersegment sales	3,007	–	3,007
Total segment revenue	1,491,049	4,609	1,495,658
Reconciliation:			
Elimination of intersegment sales			(3,007)
Revenue			1,492,651
Segment results	175,635	(11,659)	163,976
Reconciliation:			
Corporate and other unallocated income and gains			29
Corporate and other unallocated expenses and losses			(9,604)
Share of profit of a joint venture			4,952
Operating profit before changes in fair value of financial instruments			159,353
Net fair value loss on financial instruments at fair value through profit or loss			(7,308)
Operating profit after changes in fair value of financial instruments			152,045
Interest income			10,234
Interest expense			(943)
Profit before tax			161,336
Segment assets	1,315,496	25,576	1,341,072
Reconciliation:			
Corporate and other unallocated assets			18,629
Total assets			1,359,701
Segment liabilities	281,529	1,536	283,065
Reconciliation:			
Corporate and other unallocated liabilities			9,172
Total liabilities			292,237

	Manufacturing	Retailing and wholesaling	Total
	US$'000	*US$'000*	*US$'000*
Other segment information			
Share of profit of a joint venture	4,952	–	4,952
Impairment of trade receivables, net	16,029	7,768	23,797
Loss on disposal of items of property, plant and equipment	3,094	190	3,284
Depreciation of property, plant and equipment	47,244	93	47,337
Depreciation of right-of-use assets	7,989	124	8,113
Write-down/(write-back) of inventories, net	6,441	(916)	5,525
Gain on early termination of leases	326	–	326
Income tax expense	21,070	11	21,081
Investment in a joint venture	47,401	–	47,401
Capital expenditure*	67,616	22	67,638

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

Geographical information

(a) Revenue from external customers

	2024	2023
	US$'000	*US$'000*
North America	**732,874**	680,183
Europe	**361,676**	372,122
The PRC	**260,219**	257,979
Asia, other than the PRC	**141,843**	132,098
Other countries	**48,502**	50,269
Total revenue	**1,545,114**	1,492,651

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

(b) Non-current assets

	2024	2023
	US$'000	*US$'000*
The PRC	**148,101**	161,481
Bangladesh	**38,611**	32,074
Vietnam	**150,859**	149,954
Indonesia	**112,092**	105,287
Other countries	**72,304**	74,272
Total non-current assets	**521,967**	523,068

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

Information about major customers

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

	2024	2023
	US$'000	*US$'000*
Derived from the manufacturing segment:		
Customer A	**587,737**	525,066
Customer B	**N/A***	150,176

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

4. REVENUE

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

(i) Disaggregated revenue information

For the year ended 31 December 2024

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

For the year ended 31 December 2023

Segments	Manufacturing *US$'000*	Retailing and wholesaling *US$'000*	Total *US$'000*
Types of goods			
Sales of footwear and handbags	1,488,042	4,609	1,492,651
Total	1,488,042	4,609	1,492,651
Geographical markets			
North America	680,183	–	680,183
Europe	370,900	1,222	372,122
The PRC	254,592	3,387	257,979
Asia, other than the PRC	132,098	–	132,098
Other countries	50,269	–	50,269
Total	1,488,042	4,609	1,492,651
Timing of revenue recognition			
Goods transferred at a point in time	1,488,042	4,609	1,492,651
Total	1,488,042	4,609	1,492,651

(ii) Performance obligations

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

Sale of goods

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

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

	2024	2023
	US$'000	*US$'000*
Other income		
Rental income	**2,620**	3,428
Sales of scrap	**779**	1,048
Government subsidies	**647**	219
Others	**3,832**	2,331
Total other income	**7,878**	7,026
Other gains and losses, net		
Gain on liquidation of an associate	**–**	8
Gain/(loss) on disposal of items of property, plant and equipment	**10,006**	(3,284)
Gain on disposal of leasehold land	**4,184**	–
Gain on early termination of leases	**–**	326
Foreign exchange differences, net	**(3,543)**	3,460
Total other gains and losses, net	**10,647**	510
Interest income		
Bank interest income	**15,709**	9,755
Interest income of overdue trade receivables	**83**	151
Interest income of financial assets at fair value through profit or loss	**337**	328
Total interest income	**16,129**	10,234

6. PROFIT BEFORE TAX

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

	Note	**2024**	2023
		US$'000	*US$'000*
Cost of inventories sold**		**1,160,404**	1,120,398
Depreciation of property, plant and equipment		**47,944**	47,337
Depreciation of investment properties		**721**	766
Depreciation of right-of-use assets		**6,628**	8,113
Research and development costs		**47,619**	40,000
Lease payments not included in the measurement of lease liabilities		**576**	1,262
Auditors' remuneration		**641**	629
Employee benefit expenses (excluding directors' and chief executive's remuneration):			
Wages and salaries		**366,804**	352,237
Provision for equity-settled share option expense		**1,243**	2,788
Pension scheme contributions*		**148**	135
Severance pay and other related costs		**8,029**	7,972
Total		**376,224**	363,132
Impairment of financial assets, net:			
Trade receivables	*10*	**16,013**	23,797
Fair value loss on financial assets at fair value through profit or loss, net		**1,106**	7,308
Gain on liquidation of an associate		**–**	(8)
(Gain)/loss on disposal of items of property, plant and equipment		**(10,006)**	3,284
Gain on disposal of leasehold land		**(4,184)**	–
Provision against inventories, net**		**753**	5,525
Gain on early termination of leases		**–**	(326)
Foreign exchange differences, net		**3,543**	(3,460)

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

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

7. INCOME TAX

Tax on profits assessable in Mainland China has been calculated at the applicable PRC corporate income tax ("CIT") rate of 25% (2023: 25%) during the year.

Hong Kong profits tax has been provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2023: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2023: 8.25%) and the remaining assessable profits are taxed at 16.5% (2023: 16.5%).

Macau Complementary Tax has been provided at the rate of 12% (2023: 12%) on the assessable profits arising in Macau during the year.

As approved by the relevant tax authorities in Vietnam, certain subsidiaries of the Company are entitled to the exemption from income taxes for two to four years followed by four to nine years of a 50% tax reduction based on preferential income tax rates, commencing from the first profitable year. The applicable tax rates for the subsidiaries in Vietnam range from nil to 20% for the years ended 31 December 2023 and 2024.

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

	2024	2023
	US$'000	*US$'000*
Current – PRC		
Charge for the year	**15,923**	11,395
Overprovision in prior years	**(987)**	(3,876)
Current – Macau		
Charge for the year	**7,696**	6,693
Overprovision in prior years	**(1,081)**	–
Current – Elsewhere		
Charge for the year	**2,891**	365
	24,442	14,577
Deferred tax		
– Withholding tax on undistributed profits	**4,246**	6,504
	28,688	21,081

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

	2024	2023
	US$'000	*US$'000*
Profit before tax	**198,822**	161,336
Tax at the statutory tax rate at 25% (2023: 25%)	**49,706**	40,334
Lower tax rates for subsidiaries operating in other jurisdictions	**(27,134)**	(23,027)
Adjustments in respect of current tax of previous periods	**(2,068)**	(3,876)
Profits and losses attributable to a joint venture	**(635)**	(1,238)
Income not subject to tax	**(3,587)**	(2,859)
Expenses not deductible for tax	**5,784**	2,635
Tax losses not recognised	**2,376**	2,608
Effect of withholding tax at 10% on the distributable profits of certain subsidiaries	**4,246**	6,504
Income tax expense	**28,688**	21,081

No share of tax attributable to a joint venture is included in "Share of profit of a joint venture" in the profit or loss for the year ended 31 December 2024 (2023: US$14,000).

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

As at 31 December 2024, deferred tax liabilities of US$18,379,000 (2023: US$15,951,000) have been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain subsidiaries of the Group.

Pillar Two income taxes

The Group is within the scope of the Pillar Two model rules. The Group has applied the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes, and will account for the additional Pillar Two income taxes as current tax when incurred. Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates.

The Group has assessed the potential exposure based on the information available regarding the financial performance of the Group in the current year. As such, it may not be entirely representative of future circumstances. However, the enactment or substantial enactment of Pillar Two legislation in additional jurisdictions in which the Group operates does not have a material impact to the Group's overall exposure to Pillar Two income taxes. The Group continues to follow Pillar Two legislative developments, as more countries prepare to enact the Pillar Two model rules, to evaluate the potential future impact on its financial statements.

8. DIVIDENDS

	2024	2023
	US$'000	*US$'000*
Final declared and paid – HK61 cents (2023: HK45 cents) per ordinary share	**63,415**	45,590
Interim – HK65 cents (2023: HK42 cents) per ordinary share	**68,167**	42,484

A final dividend and a special dividend of HK50 cents per share and HK56 cents per share respectively, amounting in an aggregate amount of approximately HK$878,222,000 (equivalent to US$112,998,000) in respect of the year ended 31 December 2024 (2023: HK$486,227,000 (equivalent to US$63,415,000)) has been proposed by the directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares, excluding a pool of shares maintained by a trustee for the share award scheme of the Company, of 809,492,835 (2023: 792,386,619) outstanding during the year.

The calculation of the diluted earnings per share amount for the years ended 31 December 2024 and 2023 is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares outstanding during the year, as used in the calculation is total of (i) the number of ordinary shares used in the basic earnings per share calculation, and (ii) the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2024	2023
	US$'000	*US$'000*
Profit attributable to ordinary equity holder of the parent, used in the basic and diluted earnings per share calculations	**171,049**	141,072

	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation	**809,492,835**	792,386,619
Effect of dilution – weighted average number of ordinary shares:		
Share options	**17,286,408**	1,026,612
Weighted average number of ordinary shares, used in the diluted earnings per share calculation	**826,779,243**	793,413,231

10. TRADE RECEIVABLES

	2024	2023
	US$'000	*US$'000*
Trade receivables	**277,205**	326,536
Impairment	**(42,653)**	(48,716)
Net carrying amount	**234,552**	277,820

The Group's trading terms with its customers are mainly on credit. The standard payment terms are generally 30 days and selected customers up to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of customers, there is no significant concentration of credit risk. The Group does not hold any collateral over its trade receivable balances. Trade receivables are non-interest-bearing except for certain overdue trade receivables on selected customers at annual interest rate of 5%.

As at 31 December 2024, the Group's amount due from an associate included in the Group's gross trade receivables with gross carrying amount of HK$40,270,000 have been fully impaired (2023: gross carrying amount of US$39,795,000 with provision for expected credit losses amounting to US$31,696,000). The amounts are repayable on credit terms similar to those offered to the major customers of the Group.

An ageing analysis of the trade receivables as at the end of each reporting period, based on the invoice date and net of loss allowance, is as follows:

	2024	2023
	US$'000	*US$'000*
Within 1 month	**112,285**	112,155
1 to 2 months	**84,535**	94,317
2 to 3 months	**32,298**	49,584
3 to 6 months	**5,434**	11,861
6 to 12 months	**–**	4,742
Over 1 year	**–**	5,161
Total	**234,552**	277,820

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

	2024	2023
	US$'000	*US$'000*
At beginning of year	**48,716**	24,919
Impairment losses, net *(note 6)*	**16,013**	23,797
Amounts written off as uncollectible	**(22,076)**	–
At end of year	**42,653**	48,716

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

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

	Notes	**Expected credit loss rate*** **%**	**Gross carrying amount** ***US$'000***	**Expected credit losses** ***US$'000***
As at 31 December 2024				
Class of credit rating				
Class 1 to Class 3	*(i) to (iii)*	**1.10-1.20**	**235,345**	**2,093**
Class 4	*(iv)*	**97.14**	**41,860**	**40,560**
Total			**277,205**	**42,653**
As at 31 December 2023				
Class of credit rating				
Class 1 to Class 3	*(i) to (iii)*	0.33-0.44	261,396	952
Class 4	*(iv)*	78.03	40,656	31,721
Class 5	*(v)*	65.54	24,484	16,043
Total			326,536	48,716

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

Notes:

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

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

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

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

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

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows:

	2024	2023
	US$'000	*US$'000*
Within 1 month	**75,166**	70,797
1 to 2 months	**8,296**	7,623
Over 2 months	**11,642**	4,336
Total	**95,104**	82,756

Included in the trade payables are trade payables of US$42,634,000 (2023: US$40,044,000) due to a joint venture which are repayable within 90 days, which represents credit terms similar to those offered by the joint venture to its major customers.

Trade payables are non-interest-bearing and are normally settled on a credit term of 60 days.

CHAIRMAN'S STATEMENT

Dear shareholders,

Two years into our Three-Year Plan (2023-2025) for growth and margin expansion, we are delivering strong returns and creating significant value for our shareholders. In 2024, for the second consecutive year, we surpassed the dual targets of this plan – achieving a 10% operating margin and delivering low-teens annualized growth in profit after tax.

Our operating margin for the full-year expanded to 11.9% (before changes in fair value of financial instruments), compared to 10.7% in 2023. We accomplished this by executing our strategic initiatives focused on attracting and growing with our new customers, which allowed us to expand and diversify our customer portfolio and optimise the reallocation of our production capacity. As part of the latter effort, we introduced new brands and styles into our new factory in Solo, Indonesia, where we have prioritised improving worker skill levels and quality standards, further strengthening our competitiveness.

Our focus on long-term value creation has driven significant improvements in Return on Invested Capital (ROIC), which rose to 21.6% in 2024 – more than a double of the 10% achieved in 2019. This success is attributed to the long-term strategy we formulated in 2020 and formally incorporated into our Three-Year Plan in 2023. Key elements of these strategies include improving our customer mix by adding more Luxury and high-end Fashion customers, growing with our Sports customers, expanding and diversifying our production base into new regions, and adopting a relentless focus on factory efficiencies and process improvements. Additionally, we improved the utilisation of our invested capital by implementing a customer credit scorecard to better manage risk-reward, revamping raw material planning processes, supporting upstream suppliers in transitioning to new production regions, and embedding a ROIC-focused approach into capital expenditure planning.

Beyond our financial and operational performance, 2024 marked several milestones that enhanced our market position and investor appeal. We became a constituent of the Hang Seng Composite Index (HSCI), a testament to our growing stature in the market. Additionally, we qualified for the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programs, unlocking direct access for our mainland Chinese shareholders and broadening liquidity opportunities.

We also remain committed to further improving our transparency and the sustainability of our business, in line with our four Sustainability Development goals: building green and low-carbon factories, fostering a diversified community, enhancing supply chain resilience, and achieving smart operations. In 2024, our MSCI ESG rating was upgraded to 'A' from 'B' by MSCI ESG Research.

Finally, in light of our strong cash levels, we are pleased to announce that the Board has recommended the payment of a final dividend of HK50 cents per ordinary share, adhering to our normal dividend payout ratio of around 70% of adjusted net profit. We are also delighted to announce the recommendation of payment of a special dividend of HK56 cents per ordinary share. This special dividend fulfils our promise to return US$60 million annually to our shareholders from 2024 to 2026 under the excess cash return program announced by us in August 2024 in the announcement of interim results for the six months ended 30 June 2024 ("Excess Cash Return Program"), in addition to our normal payout ratio of around 70%.

Looking ahead, we expect to face some ongoing macroeconomic headwinds, particularly from softening consumer sentiment in several major economies. However, other potential headwinds, such as increased U.S. trade tariffs on China, are unlikely to have a material impact on our performance. Most of our customers have already adjusted their sourcing strategies – including the adoption of 'China-for-China' approaches – following the initial round of U.S. trade tariffs on mainland China in 2018.

Moreover, the impact of these macroeconomic pressures should be partially mitigated by the commencement of shipments to new customers in the Sports segment, the continued growth of our high-end Fashion segment – with our non-Sports manufacturing facilities expected to continue operating at near-full utilisation through 2025 – and from ongoing improvements in our production efficiency.

Having largely achieved the objectives outlined in the Three-Year Plan, our primary focus in 2025 will be to ensure quality growth as we gradually ramp up our new facilities in Solo, Indonesia, and Bangladesh. While we anticipate a moderation in the pace of our profit growth, we are confident about once again meeting our 10% operating margin and low-teens CAGR in profit after tax targets as set out under our Three-Year Plan.

We remain fully committed to delivering value for our shareholders and all other stakeholders. I would like to extend my gratitude to our valued customers, business partners and employees for their unwavering contributions, trust and support throughout 2024.

Chen Li-Ming, Lawrence
Chairman
Hong Kong, 20 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

Business Strategies

Stella is widely known within the footwear industry for its unparalleled product design and commercialisation capabilities, 'artisan level' craftsmanship, uncompromising commitment to quality, speed-to-market, and small-batch production flexibility, supported by a broad, diverse, and proven manufacturing base located in Vietnam, the People's Republic of China (the "PRC"), Indonesia, Philippines and Bangladesh. Over the years, we have provided customers with an all-rounded skillset, integrated and accumulated from developing a broad product base spanning Luxury, high-end Fashion, athleisure and outdoor Sports footwear.

We have adopted a margin-accretive business model within our footwear manufacturing business by being highly responsive to growth opportunities in the footwear market, particularly those arising from the booming 'athleisure' trend being led by major Sports brands and into which more and more Luxury and Fashion brands are seeking to enter.

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

Three-Year Plan (2023-2025)

As part of our long-term strategy, we have embarked on a Three-Year Plan (2023-2025) with a focus on growth and margin expansion listed below:

Enhance our category mix to better align with our unique strengths and capabilities, including:

- Further deepening our relationships with major global sports brands, leveraging our capabilities in product development for differentiated and complex products to support and grow with them as they continue to expand and lead innovation in the athleisure and luxury-priced footwear categories
- Partner with additional Luxury and high-end Fashion brands that are seeking to introduce sports and athleisure into their collections, with Stella being a close collaborator at every stage including design, commercialisation and manufacturing
- Add more well-established but fast-growing boutique Sports and Fashion footwear brands that are leading athleisure fashion trends to our customer portfolio

Expand and diversify our manufacturing to protect our cost base, including:

– Ramping up our new footwear factory in Solo, Indonesia that commenced production in 2022
– Announcing plans, together with a major brand partner, to jointly develop an exclusive Sports footwear factory in Indonesia
– Increasing our production capacity in Bangladesh

Optimise our management effectiveness and efficiency, including:

– Re-organising our organisational structure, centralising our account management teams to provide better customer service and refocusing our factory operational teams on day-to-day manufacturing excellence
– Combining our research and development teams to enhance our design and commercialisation capabilities, and better serve our customers
– Aligning manager incentive schemes with transparent short-term and long-term operational targets

Strengthen cost efficiency and improve working capital, including:

– Enhancing our customer portfolio to reduce our overall risk
– Improving our inventory and cash flow management
– Further strengthening cost controls across divisions

Targets for Three-Year Plan (2023-2025)

Operating Margin: 10%	**Profit After Tax CAGR[1]: Low-Teens**

Business Review

For the year ended 31 December 2024, we once again exceeded the targets set out in our Three-Year Plan, achieving an operating margin of 11.9% and a 21.2% growth in profit after tax.

Revenue and shipment volumes increased year-on-year, driven by our Sports and Fashion categories. Our gross profit margin improved compared to the previous year, driven by the continued enhancement of our customer mix. Additionally, improved operating leverage, driven by the increased utilisation of our Sports manufacturing facilities, contributed to a solid improvement in our operating profit margin.

[1] *CAGR: Compound Annual Growth Rate*

Throughout the year, our non-Sports manufacturing facilities operated at close to full utilisation as we progressed our strategic initiative to attract new customers, thereby expanding and diversifying our customer portfolio in alignment with our Three-Year Plan. A key focus was the introduction of new brands and styles to our new factory in Solo, Indonesia, where we improved worker skill levels and quality standards. This allowed us to balance better Luxury and high-end Fashion orders, which have comparable levels of product complexity and development and quality requirements, between our facilities in Vietnam and the PRC. The development of an additional production facility in Bangladesh also proceeded on schedule and was completed by end of 2024. These efforts have further diversified our production capabilities and positioned us to serve a higher-quality mix of customers.

In addition, we unlocked new avenues for global investor access and liquidity, with the Company becoming a constituent of the Hang Seng Composite Index ("HSCI") and qualifying for the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect schemes. As part of the Excess Cash Return Program that we announced in August 2024, we are committed to returning excess cash of up to US$60 million per year for the next three years (2024-2026) to our shareholders, in addition to our normal payout ratio of around 70%.

The key financial performance indicators of the Company include revenue, gross profit and operating profit. An analysis of these indicators during the year ended 31 December 2024 is as follows:

Revenue

In 2024, our consolidated revenue increased by 3.5% to US$1,545.1 million (2023: US$1,492.7 million). Shipment volumes rose by 8.2% to 53.0 million pairs (2023: 49.0 million pairs), mainly driven by our Sports and Fashion categories. The average selling price ("ASP") of our footwear products decreased by 4.4% to US$28.4 per pair (2023: US$29.7 per pair), due to a higher proportion of Sports products, which have a lower ASP, as well as raw material price deflation.

In terms of product category, sales in our Sports category increased by 6.7%, accounting for 44.5% of total manufacturing revenue (2023: 43.2%), driven by the restocking needs of several of our Sports customers. Revenue attributed to our Fashion and Luxury categories together generated a net increase of 2.8% (increased by 7.3% and decreased by 9.5% respectively) and accounted for 27.1% and 8.4% of total manufacturing revenue respectively (2023: 26.1% and 9.5%). Revenue attributed to our Casual category declined by 2.1%, accounting for 20.0% (2023: 21.2%) of total manufacturing revenue as we continued to reallocate capacity to grow our other categories in line with our Three-Year Plan.

Geographically, North America and Europe are our two largest markets, accounting for 47.4% and 23.4% of the total revenue of the Group during the year under review. Following these, the PRC (including Hong Kong), Asia (other than the PRC) and other geographic regions contributed 16.9%, 9.2% and 3.1% respectively of the Group's total revenue.

Revenue attributed to our branding business (namely the wholesale business for our own retail footwear brand *Stella Luna* in the PRC which is in the process of being scaled down) decreased by 43.5% to US$2.6 million during the year under review.

Gross profit

Our gross profit for the year increased by 4.7% to US$384.0 million (2023: US$366.7 million). Our gross profit margin was 24.9% (2023: 24.6%), supported by an improved product category mix and production efficiency.

Operating profit

The reported operating profit[2] of the Group for the year increased by 15.7% to US$184.5 million (2023: $159.4 million). This was attributable to higher shipment volumes driven by Sports category orders, an enhanced customer mix and improved operating leverage resulting from the increased utilisation of its Sports manufacturing facilities. Our operating profit also includes a one-off gain of US$15.0 million for the sale of idle premises and land in the PRC, offset by a US$6.0 million net provision[3] related to the Chapter 11 bankruptcy of The Rockport Company, LLC ("Rockport") that was not recovered by credit insurance, and a US$8.6 million impairment related to the closure of our branding business in the PRC, as the Group shifts its focus to its manufacturing operations going forward.

The operating profit margin (before changes in fair value of financial instruments) of the Group for the year was 11.9% (2023: 10.7%).

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

3 *Net provision represents the balance of US$6 million not recovered from the Company's credit insurance, as opposed to the projected issued amounts of approximately US$8 million that was expected to offset the impairment loss arising from the outstanding trade receivables of US$24 million owed by Rockport and certain of its affiliates that was recorded in the year ended 31 December 2023. For further details, please refer to page 18 of the Company's Annual Report 2023.*

Net results

Due to the factors outlined above, the Group recorded a net profit of US$170.1 million during the year under review (2023: US$140.3 million), including a marked-to-market net fair value loss of US$1.1 million on financial instruments related to its investment in Lanvin Group Holdings Limited ("Lanvin Group") listed on the New York Stock Exchange (2023: marked-to-market net fair value loss of US$7.3 million).

Excluding the Group's net fair value change from its investment in Lanvin Group, the Group recorded an adjusted net profit[4] of US$171.2 million (2023: US$147.6 million). Our adjusted net profit margin[4] was 11.1% (2023: 9.9%).

Return on invested capital

In 2024, we delivered a Return on Invested Capital (ROIC)[5] of 21.6%, a significant improvement compared to the approximately 10% ROIC achieved in 2019, before we started executing our long-term strategies. This outcome was driven by strong working capital optimisation and efficiency, and a disciplined approach to capital expenditure and investments focused on maximizing returns.

Solid net cash position

We maintained our strong focus on managing our working capital usage and cash flow, even as our capital expenditure projects progressed slower than expected during the year. As of 31 December 2024, our net cash position was US$417.6 million with an increase of 45.3%, compared to a net cash position of US$287.4 million as at 31 December 2023. About US$100 million of the cash is reserved for completing our upcoming new sports footwear factory in Indonesia, and US$180 million is reserved for the Excess Cash Return Program for shareholders announced in August 2024. Therefore, the Group's net gearing ratio[6] was –37.4% as at 31 December 2024, compared to -26.9% as at 31 December 2023.

4 *Adjusted net profit represents the profit for the year, excluding net fair value loss of US$1.1 million related to the Group's investment in Lanvin Group.*

5 *Return on Investment Capital in 2024 = Net Operating Profit After Tax of HK$155.8 million divided by Invested Capital (i.e. Working Capital + Fixed Assets) of HK$720.0 million. Net Operating Profit After Tax refers to Operating Profit x (1- effective tax rate) while working capital (current assets minus current liabilities excluding cash) plus fixed assets are based on our year-end balance sheet figures.*

6 *Net gearing ratio = net debt/shareholder equity.*

Recognitions and Awards

Throughout the year, our efforts in sustainability and investor relations have been recognised by numerous esteemed external organizations:

– Our MSCI ESG rating has been upgraded to ‘A’ from ‘B’ by MSCI ESG Research, reflecting our continuous commitment to improving sustainability practices and ensuring greater transparency within our operations.

– We have been awarded the title of ‘Honoured Company’ for the first time in the world’s leading financial magazine Institutional Investor’s annual “All-Asia Executive Team Rankings”. In the Rest of Asia category, which excludes Japan and mainland China, we ranked 3rd (Sell-Side) for ‘Best Company Board’ and 6th (overall) in the Consumer Discretionary sector, as voted by 4,943 buy-side professionals and 951 sell-side analysts.

– At the 10th Investor Relations Awards 2024 hosted by the Hong Kong Investor Relations Association, we were one of the winners of the ‘Best IR Company’ (small-cap) award.

– At the prestigious IR Magazine Greater China 2024 awards, we were finalists in multiple categories, including Best in Consumer Discretionary Sector and Best Overall Investor Relations (mid-cap).

Outlook

We will likely face some macroeconomic headwinds and geopolitical uncertainties in 2025. Some of these will be partially offset as we ramp up shipments to out-performing customers in the high-end Fashion segment and begin shipments to new customers in the Sports segment, which should support a modest increase in overall shipment volumes in 2025. We will continue to optimise our production capacity allocation between our Luxury and high-end Fashion categories and our non-Sports manufacturing facilities will continue to operate at close to full utilisation.

Having largely achieved the objectives outlined in the Three-Year Plan – including enhancing our category mix, improving working capital, and strengthening cost efficiency – our primary focus in 2025 will be maintaining high product quality levels as we gradually ramp up our new facilities in Solo, Indonesia, and Bangladesh. This controlled expansion aligns with our long-term strategy of ensuring quality growth, while increasing our capacity for higher-margin product orders. While we anticipate a moderation in the pace of our profit growth, we are confident about once again meeting our targets of a 10% operating margin and low-teens CAGR in profit after tax as set out under our Three-Year Plan.

We are committed to building our handbag and accessories manufacturing business into a key growth pillar by continuing to enhance its product quality and production efficiency, with the aim of introducing it to more of our high-end customer base. We are looking at acquiring a small handbag and accessories factory in Vietnam, which will enable us to leverage their expertise in high-end handbag and accessories production and capitalise on their experienced operational team, helping us accelerate the growth of this business.

Cash Return To Shareholders

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

After considering the Group's free cash flow situation, strong cash levels, and pre-funded capital expenditure projects, the Board has resolved to recommend the payment of a final dividend of HK50 cents per ordinary share. Combined with the interim dividend of HK65 cents per ordinary share, this maintains the Company's normal payout ratio of approximately 70% set against our adjusted net profit of US$171.2 million.

Additionally, in August 2024, the Board resolved to return additional cash up to US$60 million per year for the next three years (2024-2026) to shareholders, not exceeding US$180 million in total, through a combination of share repurchases and special dividends, on top of paying regular dividends with a payout ratio of about 70% (comprising final dividends and interim dividends). As the Group did not conduct any share repurchase during the year, the Board has resolved to recommend payment of a special dividend of HK56 cents per ordinary share.

As a result, the Group's full-year dividend (subject to shareholders' approval of the proposed final dividend and special dividend at the forthcoming annual general meeting) for the year ended 31 December 2024 is HK171 cents per ordinary share.

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

Liquidity, Financial Resources And Capital Structure

As at 31 December 2024, the Group had cash and cash equivalents of approximately US$423.5 million (31 December 2023: US$294.5 million), representing an increase of 43.8% compared to 31 December 2023.

During the year under review, cash generated from operations was US$264.1 million (2023: US$229.2 million).

Net cash outflows used in investing activities were US$31.4 million during the year under review (2023: US$56.6 million), representing a decrease of 44.5%. Capital expenditure amounted to approximately US$67.0 million during the year under review (2023: US$67.6 million).

As at 31 December 2024, the Group had current assets of approximately US$893.2 million (31 December 2023: US$827.5 million) and current liabilities of approximately US$279.1 million (31 December 2023: US$265.2 million). The current ratio (which is calculated on the basis of current assets over current liabilities) was 3.2 as at 31 December 2024 (31 December 2023: 3.1), an indication of the Group's high liquidity and healthy financial position.

Bank Borrowings

The Group had bank borrowings of US$5.9 million as at 31 December 2024 (31 December 2023: US$7.1 million), which were principally denominated in New Taiwan dollars and U.S. dollars, with an effective interest rate of 2.85%-5.25%.

The Group maintained a net cash position of US$417.6 million as at 31 December 2024 (31 December 2023: US$287.4 million). Therefore, the Group's net gearing ratio[6] was -37.4% as at 31 December 2024 compared to -26.9% as at 31 December 2023.

Foreign Currency Exposure

During the year under review, the Group's sales were mostly denominated in U.S. dollars, while the purchase of raw materials and operating expenses were mostly denominated in U.S. dollars and RMB. Currency exposures were mostly in RMB and Hong Kong dollars against US dollars, the functional currency of the Group.

Pledge of Assets

As at 31 December 2024, the Group had pledged US$10.7 million of its assets (31 December 2023: US$10.9 million).

Contingent Liabilities

As at 31 December 2024, the Group had no contingent liabilities (31 December 2023: Nil).

Material Acquisition and Disposal

During the year ended 31 December 2024, the Group had no material acquisition or disposal of subsidiaries, associates or joint ventures.

Significant Investment

As at 31 December 2024, the Group did not hold any significant investments with a value of 5% or more of the Group's total assets.

Future Plan for Material Investments or Capital Assets

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

Major Customers and Suppliers

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

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

Employees

As at 31 December 2024, the Group had approximately 42,600 direct employees (31 December 2023: approximately 39,900) and an overall workforce of approximately 63,200. Our overall workforce includes both direct employees of the Group and employees indirectly employed by the Group (which refers to workers supplied by contractor companies under labour supply agreements). We cultivate a caring, sharing and learning culture among our employees and believe that human resources are significant assets to the Group's development and expansion. We actively seek to attract, develop and retain individuals who are proactive, positive, committed to and passionate about our business.

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

DIVIDEND

The Board recommended the payment of a final dividend of HK50 cents per ordinary share to shareholders of the Company (the "Shareholders") for the year ended 31 December 2024. In addition to the payment of a final dividend, the Board recommended the payment of a special dividend of HK56 cents per ordinary share to the Shareholders for the year ended 31 December 2024 in recognition of the continual support of the Shareholders. The proposed final dividend and special dividend, amounting to approximately US$53.3 million and US$60 million respectively, will be paid to Shareholders whose names appear on the register of members of the Company on Wednesday, 21 May 2025, if the proposals are approved by the Shareholders at the forthcoming annual general meeting of the Company (the "AGM") to be held on Thursday, 15 May 2025. It is expected that the final dividend and special dividend, if approved, will be paid on Friday, 6 June 2025.

In order to qualify for the proposed final dividend and special dividend to be approved at the AGM, all share transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 21 May 2025.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 12 May 2025 to Thursday, 15 May 2025 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for attending and voting at the annual general meeting of the Company to be held on Thursday, 15 May 2025, all share transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 9 May 2025.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with all the code provisions and, where appropriate, adopted the recommended best practices set out in Part 2 of the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") throughout the year ended 31 December 2024.

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 C3 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 2024.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board has reviewed the annual results of the Group for the year ended 31 December 2024.

SCOPE OF WORK OF ERNST AND YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2024 as set out in this preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst and Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2024.

IMPORTANT EVENTS SUBSEQUENT TO THE YEAR

The Directors are not aware of any important events affecting the Company and its subsidiaries which have occurred since the end of the financial year.

By order of the Board
Stella International Holdings Limited
Chen Li-Ming, Lawrence
Chairman

Hong Kong, 20 March 2025

As at the date of this announcement, the executive Directors are Mr. Chen Li-Ming, Lawrence, Mr. Chi Lo-Jen, Mr. Gillman Charles Christopher and Mr. Chiang Yi-Min, Harvey; and the independent non-executive Directors are Mr. Bolliger Peter, Mr. Chan Fu Keung, William, BBS, Mr. Yue Chao-Tang, Thomas and Ms. Wan Sin Yee, Sindy.