Annual Report 2015

Stella International Holdings Limited

Stock Code: 1836

mission statement
our core values

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

our mission:
to make the BEST shoes

Always seeking to fulfill our promise of delivering outstanding and unique footwear, we are guided at all times by our unwavering motto of "making the best shoes" and missions of:

- We wish, within our selected business segments, to be the **preferred partner** for footwear products and associated services, contributing to an **efficient and superior supply chain**.
- By being close to our customers we fulfill their needs with **innovative, cost effective and high quality solutions**. Through **empathy, responsiveness** and **dependability** we seek to earn their loyalty.
- Our culture attracts and nourishes individuals who are energetic, committed and have a **passion with a learning attitude** for our business.
- By striving **to be the best** in our business we achieve growth and increased value for our customers, employees and shareholders.

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wholly foreign-owned enterprise

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Greater China

Thailand

Philippines

Kuwait

Lebanon

United Arab Emirates

France

Stella is a leading developer and manufacturer of quality footwear products and was listed on The Stock Exchange of Hong Kong Limited on 6 July 2007. We offer our brand clients a one-stop shop that combines elements of design, development and manufacturing.

Since 1982, Stella has developed strong working relationships with, and has produced quality shoes for, many global brand names. Our constantly expanding product range includes quality high-fashion, premium, casual, and increasingly, sports-fashion footwear. Our client base includes six of the world's top ten casual footwear companies, namely, Clarks, Deckers, ECCO, Rockport, Timberland and Wolverine, as well as leading companies in fashion footwear, such as Cole Haan, Guess, Jones Group, Kenneth Cole, Tory Burch and Michael Kors.

We also design, develop and manufacture footwear for several high-fashion brands, such as 3.1 Phillip Lim, Alejandro Ingelmo, Alexander Wang, Bally, Givenchy, Kenzo, Marc Jacobs, Paul Smith and Prada.

By leveraging our manufacturing expertise and the wide acceptance of Stella's products and industry recognition, we launched our retail operations in 2006 under our own brands *Stella Luna*, *What For* and *JKJY by Stella* and joint-venture brand, *Pierre Balmain*. These brands have successfully expanded into China and Europe's footwear retail markets.

We have also started to penetrate into the handbag market and position ourselves as a total solution provider for leather products to premium customers. By leveraging our strong customer base, as well as our leather product experience, we are further investing in our design and development capability to provide a wide range of leather accessories to our customers.

milestones

1982

Founded in Taiwan by Jimmy Chen, Jack Chiang and Eric Chao to produce fashion footwear for US retail customers.

1991

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

1995

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

1998

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

2009

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

2010

Diversified into inland China.

2011

Introduced new men's affordable luxury footwear brand – *JKJY*.

2012

Expanded our casual footwear production lines in Indonesia.

Opened *Stella Luna* Store in Paris.

private label | *casual/fashion* | *luxury* components manufacturing | assembly | engineering & development | branding/ retail

1999

Established Selena Footwear Factory in Dongguan to expand with our increased production and into premium women's fashion shoes.

2004

Developed and manufactured footwear for high-end brands.

2006

Launched *Stella Luna* flagship store in Shanghai.

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

July 2007 Expanded our retail market capabilities with the launch of our contemporary lifestyle footwear brand *What For* in China.

2007

2013

Opened *What For* Store in Paris.

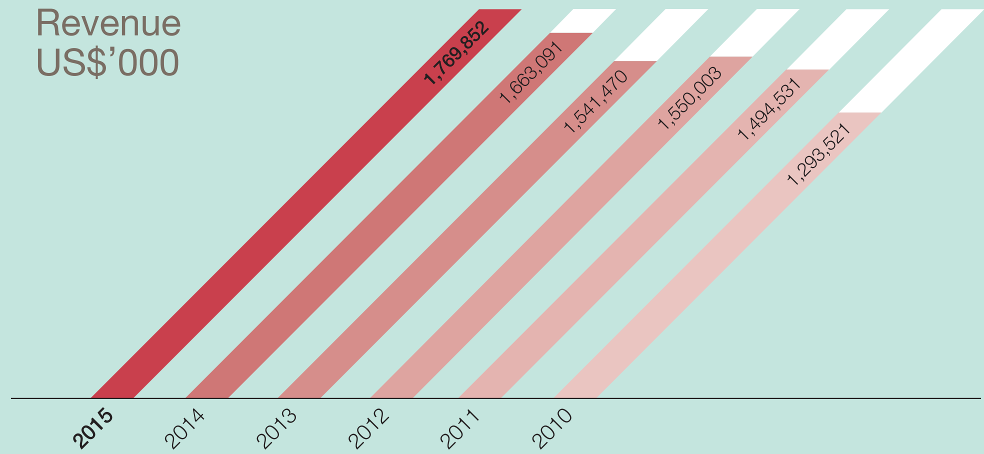
2014

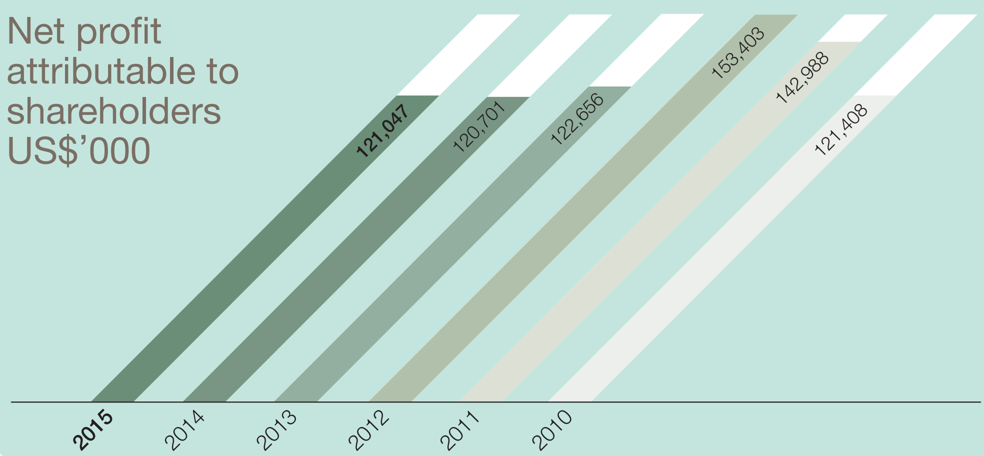
Established footholds in Philippines and Myanmar, adding two more countries to our South East Asia portfolio.

2015

Completion of inland migration strategy - securing more stable labour supply and costs at Italian quality, underwriting Stella's future growth

consolidated revenue increased 6.4% year-on-year to US$1,769.9 million

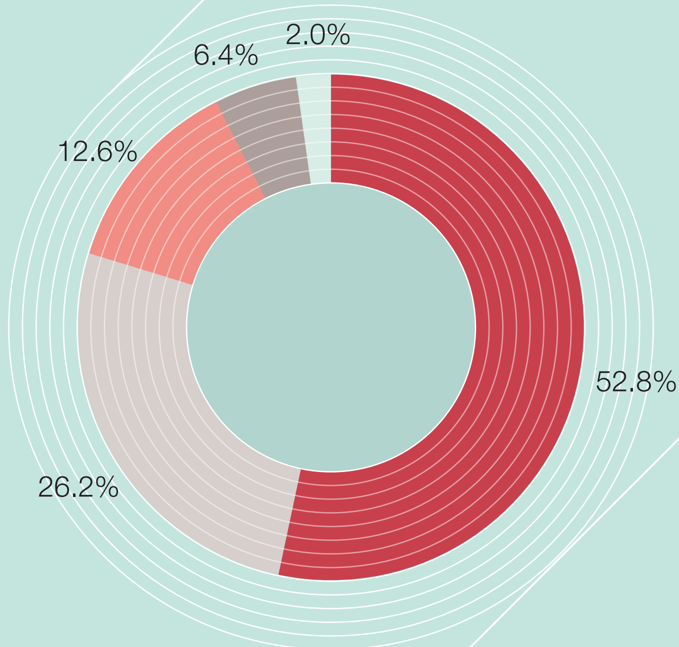


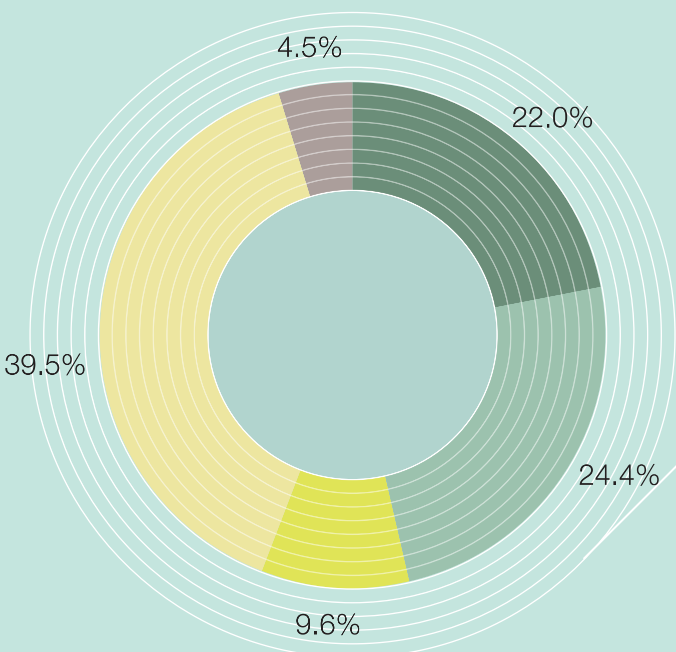


geographically, north america and europe continued to be our two largest markets

2015 Revenue by Geographical Segments

- North America
- Europe
- PRC (including Hong Kong)
- Asia (ex. PRC)
- Others





2015 Revenue by Business Segments

men women
- Casual
- Fashion
- Retail

chairman's statement

"our mission: making the best shoes"

Protecting our competitive advantages and providing continuous value to our customers

Dear Shareholders,

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 United States 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.

Chiang Jeh-Chung, Jack
Chairman
Hong Kong, 23 March 2016

management discussion and analysis

Increasing demand for new footwear products supporting financial performance

Unparalleled reputation for 'Italian quality', flexibility and research and development capabilities

The board (the "Board") of directors (the "Directors") of Stella International Holdings Limited ("Stella" or the "Company") is pleased to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

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: US$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 4.5% 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 United States 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.

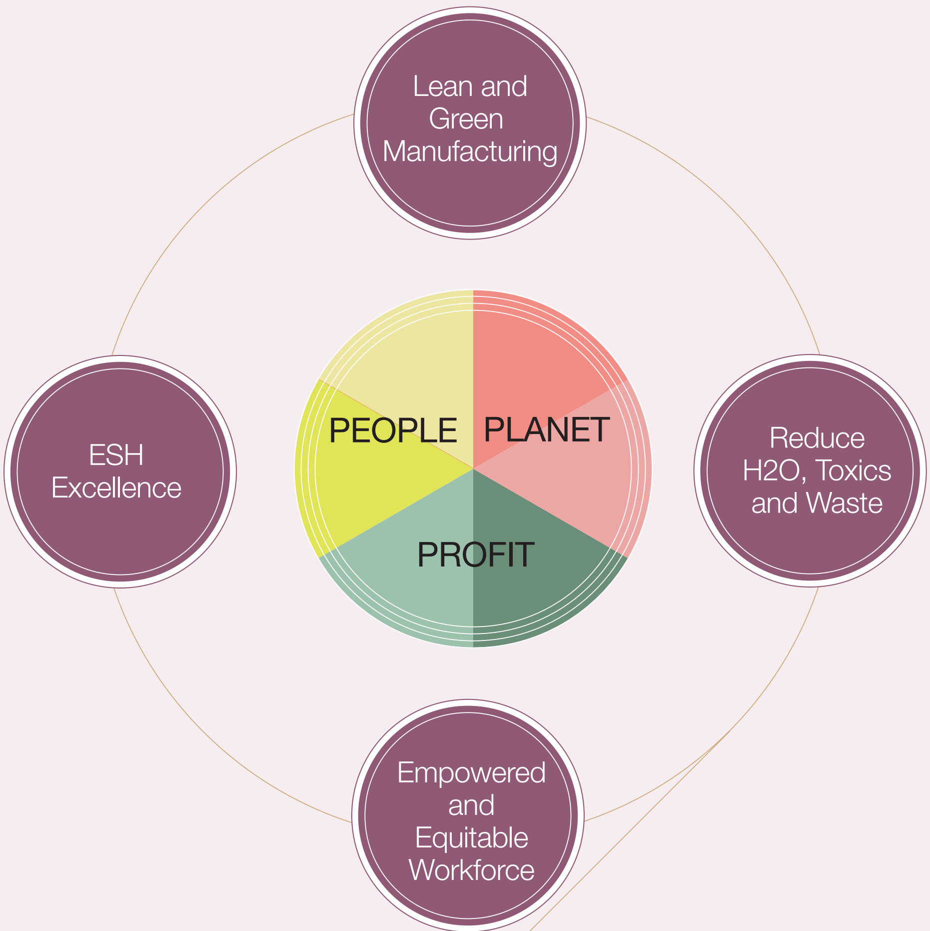
The Group has continued to build a strong management team internally through effective learning and promotion programs, including our "Leadership Program" to identify potential high calibre employees, to assess the quality of senior management and ultimately to determine appropriate remuneration and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

corporate social responsibility

Growing *our leadership in product stewardship, regulatory compliance and environmental preservation*

Our focus this year was to infuse corporate social responsibility ("CSR") within more of our operations



Stella's growth and prosperity is dependent on its ability to overcome complex challenges in ways that are both environmentally sustainable and beneficial to our multiple stakeholders – including our workforce, customers, business partners and the local communities within which we work.

We recognise that we have a responsibility to ensure the protection of the planet, as well as the safety, health and well being of our many stakeholders. This is Stella's 'CSR Vision' and it is at the forefront of all our business practices, operations and development. It also underpins our continuous efforts to extend our leadership among manufacturers and retailers for conducting business in an ethical and responsible manner.

BASIC COMMITMENTS AND OUR TRIPLE-BOTTOM LINE

At the basic level, we are committed to growing our leadership in the following areas:

Product stewardship: by offering environmentally friendly products that meet the needs of our customers and the markets we serve

Regulatory compliance: by complying with all applicable laws and regulations covering our operations

Environmental preservation: by protecting valuable natural resources through the reduction, reuse and recycling of materials and reducing our emissions

Each of these areas aligns with our Triple Bottom Line – People, Planet and Profit. We strongly believe that by integrating economic, environmental and social initiatives into our business strategy, we can achieve our business goals and increase long-term shareholder value.

PROGRESS OF SUSTAINABILITY STRATEGY 2014-2017

In 2014, Stella unveiled its 'Sustainability Strategy 2014-2017', which laid out a roadmap for our company to become an industry leadership in this area by 2017.

Over this time, we plan to drive positive, sustainable change by:

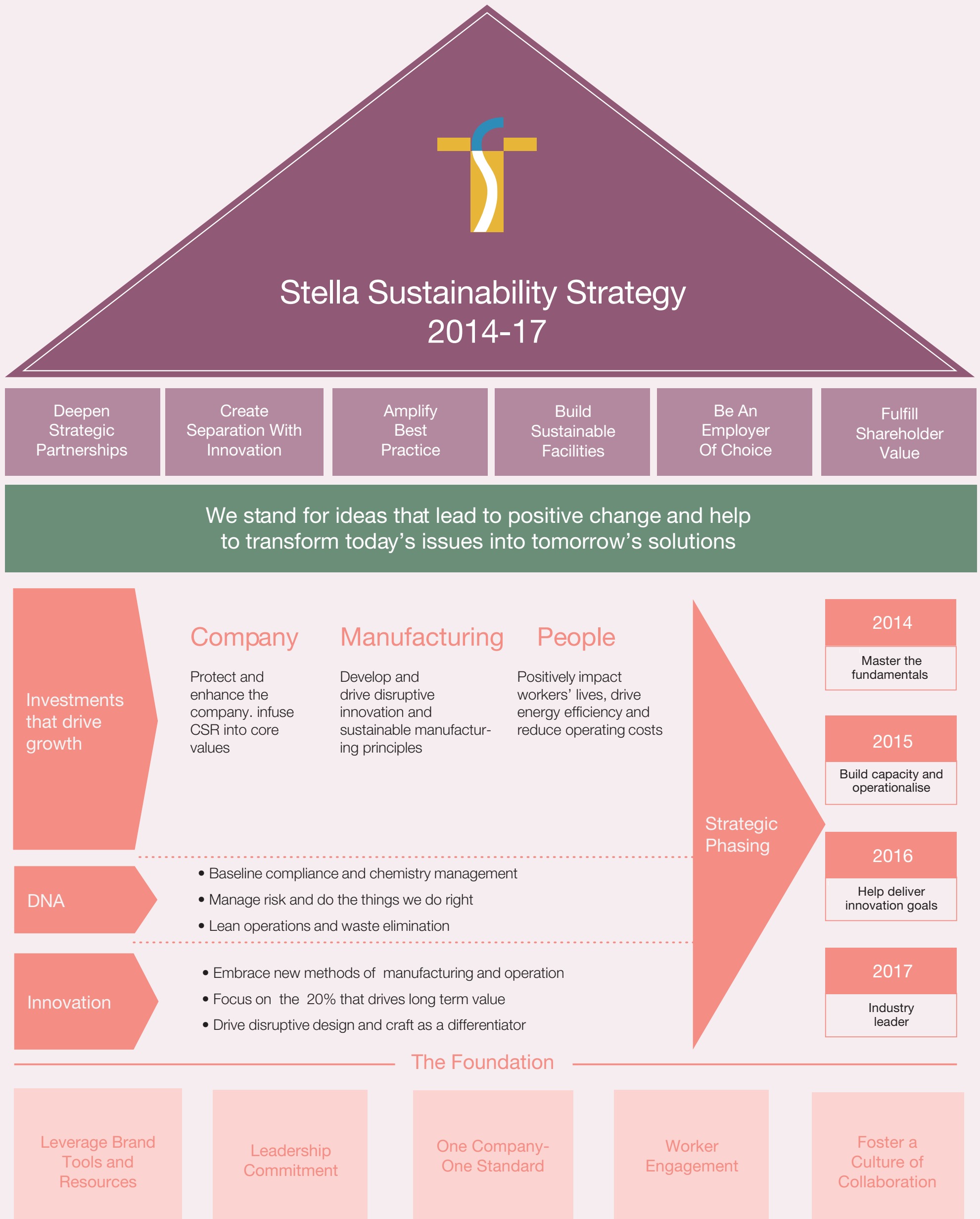
- Infusing CSR and compliance into our core values and into the mind-set of our people
- Changing the 'DNA' of our operations to encourage greater safety compliance, risk management and waste management
- Driving more development, disruptive innovation and sustainable manufacturing principles to improve production and energy efficiency
- Making a positive impact on the lives of our employees, among other areas

In 2014, our efforts were focused around increasing the overall knowledge of CSR amongst our top and middle management. Our focus this year was to expand overall capacity within our organisation and to infuse CSR within more of our operations.

An example of this was the launch of a Social Responsibility Management Manual based on the global SA8000 certification. The SA8000 is based on the principles of international human rights norms as described in International Labour Organisation conventions, the United Nations Convention on the Rights of the Child and the Universal Declaration of Human Rights, including the prohibition of child labour and the protection of minors, the prohibition of forced labour, health and safety, freedom of association, the prohibition of discrimination, the prohibition of unfair punishment, working hours and wage standards, and so on.

Another example was the rollout of our new CSR Internal Training Plan, which covers trainer education, exposure control and the use of personal protective equipment, chemical management, skills and communication training, and fire safety, among other areas.

We also instituted annual centralised audits at all of our manufacturing facilities around the world, including China, Vietnam, Bangladesh, Indonesia and the Philippines, to ensure that these initiatives and others are being implemented across our entire organisation as part of our Sustainability Strategy.



CODE OF CONDUCT

Stella is one company governed by one standard. Wherever we operate around the globe, we are guided by one Code of Conduct and committed to the goals of: using resources responsibly, reducing waste, supporting workers' rights, and improving the welfare of our workers and the communities in which we operate.

We bind our suppliers and business partners to these same principles and goals. Specifically, we only seek partners that share our commitment to the development of a leaner, greener, more empowered and equitable supply chain, and will hold those partners accountable for the following specific minimum standards:

Using leak detectors to locate unseen leaks

Repaired pipes

- Employment is voluntary
- Working hours are not excessive
- Employees are aged 16 or older
- Regular employment is provided
- The company does not discriminate
- The workplace is healthy and safe
- Freedom of association is respected
- Environmental impact is minimised
- Compensation is timely paid
- Harassment and abuse are not tolerated

'STELLA 2020' TARGETS FOR WASTE MANAGEMENT

Waste and pollution is a scourge in many developing economies, including the countries in which we operate. As a company that has always placed a huge emphasis on quality and research and development, we are committed to finding ways to reduce the volume of waste produced as a by-product of our manufacturing operations.

In 2014, we announced the adoption of solid KPI targets for reducing our water usage, our discharge of solid and hazardous waste and to increase the percentage of wastewater treated by wastewater treatment plants. These KPIs have since become known as our 'Stella 2020' targets.

Under 'Stella 2020', we intend to reduce our fresh water usage to almost 35 litres/pair by the year 2020. Over the same time, we also aim to reduce levels of solid and hazardous waste to less than 150g/pair and 13g/pair respectively, and increase the percentage of wastewater treated by wastewater treatment plants to between 85-100%, depending on the manufacturing location.

New solid waste recycling centres and hazardous waste centres

In 2015, we made good progress in each of these areas, particularly in the areas of water wastage, waste reduction and water treatment. This included:

- Leveraging technologies, such as leak detectors, to fix unseen leaking pikes, saving more than 17,000m^3 of water per year
- Making use of better model pressing techniques to reduce solid waste by more than 1,300kg of solid waste
- Installing new solid waste recycling centres and hazardous waste centres at some of our manufacturing facilities, making it easier for us to meet our wastewater treatment goals

Each of these steps may seem small on their own, but together add up to making a big difference to the overall sustainability of our business.

Middle-size production lines were replaced by larger ones

New type of insulation used in chemical mechanical polishing machines

Green servers were installed on injected phylon machines

FURTHER EFFORTS TO REDUCE ENERGY USE AND CARBON EMISSIONS

Climate change continues to be one of the world's biggest challenges and is a challenge that is increasingly having a tangible effect on our business, particularly in the form of unseasonable weather, which has impacted some customer orders.

In 2015, we continued to take steps to improve our energy efficiency (i.e. reducing the average kilowatts of energy used to manufacture each pair of shoes) and carbon emissions (i.e. reducing the kilograms of CO_2 emissions emitted for each pair of shoes). This included:

- Replacing two middle-sized production lines within our stock fitting process with one large-size production line, with each replacement saving 59.2 kw per hour – an energy saving of around 45%
- Replacing the type of insulation used in the chemical mechanical polishing machines at some of our manufacturing facilities, reducing its surface temperature by 26 degrees Celsius and energy use by 85.7 kwh per hour and 3.5 kwh per pair – an energy saving of around 3%
- Installing 'green servers' within some of the injected phylon machines at some of our manufacturing facilities, reducing energy use by 9.5kwh per hour or 0.1 kwh per pair – an energy saving of 48%

- Replacing air conditioning units, reducing energy use by 14.1 kw per hour – an energy saving of around 95%

While we have yet to set firm KPI targets for energy efficiency and carbon emissions, similar to the 'Stella 2020' initiative, we hope to reduce energy used per pair for the current level of 5.0 kwh per pair as of the beginning of 2016, to an average 4.2 kwh per pair by the end of 2016. We hope to be able to commit to firmer energy use and carbon emission targets in the coming years as part of Stella's Sustainability Strategy.

WORKPLACE HEALTH AND SAFETY

Workplace health and safety remains our number one priority. Stella consistently meets all applicable standards and regulations, while also striving to develop a culture of empowerment among employees so that they are involved in creating and contributing to a safe and healthy work environment.

We have taken a number of steps to further improve safety on our workshops including:

- Banning the storage of chemicals in our workshops

- Maintaining notification boards throughout our workshops to reinforce awareness of workplace hazards and safety procedures among our workforce

Regular fire drills held at our manufacturing facilities

Chemical storage warehouses located away from workshops

- Conducting regular audits of employee canteens to ensure food safety

- Conducting regular emergency exercise activities, such as fire drills

We also hold regular environmental safety and health (ESH) meetings, which act as a forum to review prevailing risks in the workplace, as well as an opportunity to evaluate any new emerging risks. It is also an important conduit for face-to-face communication between employees, directors, supervisors, committee members and CSR coordinators, and is an essential component of our ESH management system.

Example of a regular ESH meeting

A RESPONSIBLE EMPLOYER

As of 31 December 2015, the total global workforce employed within our manufacturing and retail businesses was 83,000. As a responsible employer, we recognise the high value of a motivated, engaged and healthy workforce. We strictly comply with all local employment laws and regulations and have continued to cap the number of overtime hours conducted by our employees.

Social activities

We arrange regular leisure activities such as sports competitions, field trips and seasonal celebrations to mark major holidays such as New Years Day and the Mid-Autumn Festival in order to enrich the work-life balance of our employees, many of whom work far from home.

Dumpling making competition for the Dragon Boat Festival

First-aid training

Village visits

In 2015, many of our social events were food-related, including barbeques and rice dumpling competitions to mark the Dragon Boat (Duanwu) Festival. These events were extremely well received.

Personal development opportunities

We organise regular voluntary training opportunities for our employees, providing them with an opportunity to upgrade their skills and grow with the company.

Opportunities in 2015 included team building and leadership courses, social awareness courses (covering topics such as social insurance policy) and technical skills training.

Health benefits

Stella provides regular health check-ups to all employees throughout the year, as well as opportunities for employees to undertake first aid training, allowing them to contribute directly to safety in the workplace. We also organised a series of health lectures (on topics such as reproductive health and occupational health) in order to promote disease prevention and better health standards.

TRIPLE BOTTOM LINE

GIVING BACK TO THE COMMUNITY

Every year, we encourage our employees to volunteer their time to improve the lives of vulnerable social groups, support community improvement projects and protect the natural environment.

In 2015, this effort included:

- Working together with the Xinji Charity Association and other Buddhist charitable foundations to visit villages in low-income areas and donate rice, oil, clothing and other supplies to families living there
- Holding a 'Disability Day', where employees were encouraged to visit the disabled and build lasting friendships with them
- Arranging regular 'family visits' within the communities where we work

LOOKING FORWARD

This report only provides a snapshot of the work we have done in 2015 to push forward our philosophy of respecting the individual, contributing to society and creating value. We believe that it is important for all our stakeholders to understand and support the work we are doing. We are all in this together.

We look forward to pushing forward our CSR mission in 2016 and beyond and we will continue to measure the growth and development of Stella within the context of our Triple Bottom Line of People, Planet and Profit.

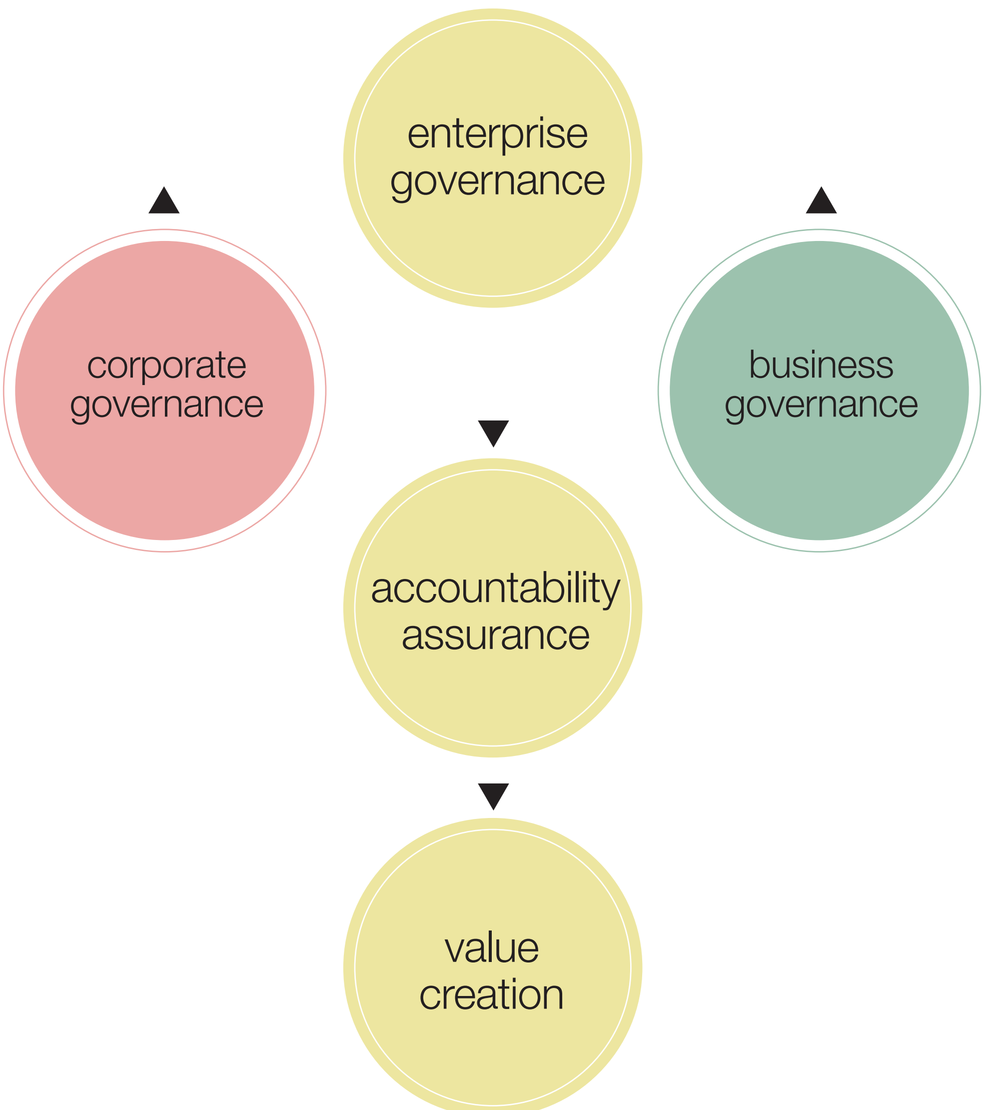
corporate governance report

Building and Protecting Long-Term Value

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

GOVERNANCE MODEL

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



GOVERNANCE FRAMEWORK

The Company's governance framework embodies the following:

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

Corporate Governance Committee – the 4 Rs

To facilitate more effective implementation of corporate governance practices, a corporate governance committee of the Board (the "Corporate Governance Committee") has been established pursuant to a resolution of all Directors passed on 15 June 2007 with specific written terms of reference which deal clearly with the committee's authority and duties. Focusing on the 4 Rs – regulatory compliance, risk management, investor relations and corporate social responsibilities, the principal roles and functions of the Corporate Governance Committee, as disclosed in greater detail in its terms of reference, include the following major aspects:

1. to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
2. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
3. to review the Company's compliance with 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 (the "Stock Exchange") and the relevant disclosure in the Company's annual and interim reports;
4. to review and monitor the Company's communication policy and practices with its shareholders and investor communities; and
5. to review and monitor training and continuous professional development of Directors and senior management.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions of the CG Code contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2015 except for code provisions B.1.5 and E.1.2, details of which are disclosed below. Save for the deviation from code provisions B.1.5 and E.1.2, the Group has been in compliance with the CG Code in all material respects and has upheld a high standard of corporate governance by adopting practices for corporate governance which, the Directors believe, are of higher standard than that required under the CG Code in various aspects.

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

A. Directors

A.1 The Board

Principle

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

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

The management of the day-to-day operations of the Group is delegated by the Board to the management. In view of facilitating more efficient day-to-day operations of the Group and handle such matters as delegated by the Board from time to time, an executive committee of the Board (the "Executive Committee") has been established pursuant to a resolution of all Directors passed on 9 July 2015, with specific written terms of reference which deal clearly with the committee's authority and duties. Apart from the Executive Committee which was set up during the year under review, the Board has already established various Board committees in previous years to discharge their respective responsibilities set out in their respective terms of reference.

The Board regularly reviewed the contribution required from Directors to perform their responsibilities to the Company, and whether they are spending sufficient time performing them.

<table>
<tr><th>Code Provisions</th><th>Compliance</th><th>Corporate Governance Practices</th></tr>
<tr><td>A.1.1
The board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals and to involve active participation of a majority of directors.</td><td>✓</td><td>The Directors' attendance records for the year 2015 are set out below:

Name of Directors — Attendance
Executive Directors
Mr. Chiang Jeh-Chung, Jack (Chairman) — 2/6
Mr. Chao Ming-Cheng, Eric (Deputy Chairman) — 5/6
Mr. Chen Li-Ming, Lawrence (Chief Executive Officer) — 5/6
Mr. Chi Lo-Jen — 6/6

Independent Non-executive Directors
Mr. Chen Johnny — 3/6
Mr. Bolliger Peter — 4/6
Mr. Chan Fu Keung, William, BBS — 6/6
Mr. Yue Chao-Tang, Thomas — 5/6

Relationships among the members of the Board

Mr. Chiang Jeh-Chung, Jack is the uncle of Mr. Chi Lo-Jen. Save as aforementioned, there is no other family relationship between any of the Directors, nor are there any financial, business or other material or relevant relationships among the members of the Board.</td></tr>
<tr><td>A.1.2
Arrangements should be in place to ensure that all directors are given an opportunity to include matters in the agenda for regular board meetings.</td><td>✓</td><td>Draft agenda of regular Board meetings are made available to all Directors in advance so that they may include any additional matters they consider appropriate in the agenda.</td></tr>
<tr><td>A.1.3
Notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For other board meetings, reasonable notice should be given.</td><td>✓</td><td>At least 14 days formal notice has been given to all Directors for regular Board meetings.

Regular Board meetings in 2016 have already been scheduled to ensure compliance with the CG Code and to facilitate Directors' attendance.</td></tr>
</table>

Code Provisions	Compliance	Corporate Governance Practices
A.1.4 Minutes of board meetings and meetings of board committees should be kept by a duly appointed secretary of the meeting and should be open for inspection at any reasonable time on reasonable notice by any director.	✓	The Company Secretary is responsible for preparing minutes of all Board meetings and Board committee meetings; the final versions of which are available for the Directors' inspection at the Company's principal place of business.
A.1.5 Minutes of board meetings and meetings of board committees should record in sufficient detail the matters considered and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft and final versions of minutes should be sent to all directors for their comment and records respectively, within a reasonable time after the board meeting is held.	✓	Minutes of Board meetings and Board committee meetings have recorded in sufficient detail all matters discussed and resolved at such meetings. Draft minutes are circulated to all Directors for comment within a reasonable time after each meeting and final versions of the minutes are circulated to all Directors for records.
A.1.6 There should be a procedure agreed by the board to enable directors, upon reasonable request, to seek independent advice in appropriate circumstances at the issuer's expense. The board should resolve to provide separate independent professional advice to directors to assist them to perform their duties to the issuer.	✓	Directors have been advised in the Directors' appointment letters/service agreements that they are entitled to seek external independent legal advice at the Company's expense. No request was made by any Director for such independent professional advice during the year under review.
A.1.7 If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the board which the board has determined to be material, the matter should be dealt with by a physical board meeting rather than a written resolution. Independent non-executive directors who, and whose associates, have no material interest in the transaction should be present at such board meeting.	✓	Directors are required to declare their interest, if any, in matters before Board meetings, or if such matters are dealt with by written resolutions, in such resolutions. In case the Director(s) concerned has a material conflict of interest, the Director(s) concerned has abstained from voting on the relevant board resolution and is not counted towards the quorum.
A.1.8 An issuer should arrange appropriate insurance cover in respect of legal action against its directors.	✓	A Directors and Officers Liability Insurance Policy is in place to cover the liability of the Company's Directors and officers.

A.2 Chairman and Chief Executive Officer

Principle

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

Chairman's responsibilities:

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

Chief Executive Officer's responsibilities:

- Provides leadership for the management
- Oversees the realisation by the Group of the objectives determined by the Board
- Provides information to the Board as is necessary to enable the Board to monitor the performance of management
- Leads the management of the Group's relationship with its stakeholders
- Puts in place programmes for management development and succession
- Establishes and maintains proper internal controls and internal audit systems
- Discharges such duties and authorities as may be delegated in writing to him/her by the Board

Appreciating the significant role of the Chairman in providing leadership for the Board, the position of Deputy Chairman has been put in place to assist the Chairman to discharge his responsibilities. Specifically, the Chairman, Mr. Chiang Jeh-Chung, Jack, is mainly responsible for managing major customers' relationship and overseeing strategies of the Group, while the Deputy Chairman, Mr. Chao Ming-Cheng, Eric, 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 our stakeholders. The Board will regularly review the effectiveness of the segregation of roles to ensure its appropriateness under the Group's prevailing circumstances.

Code Provisions	Compliance	Corporate Governance Practices
A.2.1 The roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.	✓	The roles of the Chairman and Chief Executive Officer are separate and have been performed by separate individuals. The division of responsibilities between the two positions have been clearly established and set out in writing.
A.2.2 The chairman should ensure that all directors are properly briefed on issues arising at board meetings.	✓	With the support of the Deputy Chairman, executive Directors, senior management and the Company Secretary, the Chairman ensures that all Directors are properly briefed on issues arising at Board meetings.
A.2.3 The chairman should be responsible for ensuring that directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable.	✓	The information and/or analyses required for the Board's consideration and decision making are included in Board papers that are delivered to Directors for their review in a timely manner.
A.2.4 One of the important roles of the chairman is to provide leadership for the board. The chairman should ensure that the board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by the board in a timely manner. The chairman should be primarily responsible for drawing up and approving the agenda for each board meeting. He should take into account, where appropriate, any matters proposed by the other directors for inclusion in the agenda. The chairman may delegate this responsibility to a designated director or the company secretary.	✓	Such roles are set out in writing and, with the support of the Deputy Chairman, such roles have been complied with.

Code Provisions	Compliance	Corporate Governance Practices
A.2.5 The chairman should take primary responsibility for ensuring that good corporate governance practices and procedures are established.	✓	
A.2.6 The chairman should encourage all directors to make a full and active contribution to the board's affairs and take the lead to ensure that it acts in the best interests of the issuer. The chairman should encourage directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that board decisions fairly reflect board consensus.	✓	Such roles and practices are set out in writing and have been complied with.
A.2.7 The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the executive directors present.	✓	The Chairman and the Deputy Chairman maintain open dialogue with individual independent non-executive Directors to ensure effective communication.
A.2.8 The chairman should ensure that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the board as a whole.	✓	Please refer to the section E as described later in this report.
A.2.9 The chairman should promote a culture of openness and debate by facilitating the effective contribution of non-executive directors in particular and ensuring constructive relations between executive and non-executive directors.	✓	Effective contribution of non-executive Directors and communication between executive and non-executive Directors are achieved through discussions in Board meetings, various Board committee meetings and other Board activities/programmes.

A.3 Board composition

Principle

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

There is a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment. The independent non-executive Directors are of diversified background and competencies, with appropriate professional qualifications and/or extensive knowledge and experience in their respective business undertakings.

The Board also ensures that changes to its composition can be managed without undue disruption.

Board Diversity Policy

The board diversity policy of the Company is:

1. Policy Statement
   Directors are selected and nominated based on their experience, competencies, skills, geographical network capabilities and cross-border experiences in pursuit of maintaining a board of diversified background and competencies, in order to contribute to more effective board deliberations and business directions of the Group.

2. Nominations and Appointments
   The Nomination Committee is responsible for:
   - reviewing the structure, size and composition of the Board;
   - identifying individuals suitably qualified to become board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorship; and
   - making recommendations to the Board on the appointment or re-appointment of directors and succession for directors.

3. Measurable Objectives
   The Nomination Committee shall develop measurable objectives for implementing this policy, taking into account the Group's strategic plan and business needs.

4. Monitoring, Tracking and Reporting
   The Nomination Committee shall review this policy and report the same to the Board on an annual basis.

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

The following objectives, which focus on the skills and experience of board members, have been set for implementing the policy:

1. Increase the diversity of functional experience in the board.
2. Increase understanding of our current and target markets.
3. Increase understanding of our target customer segments.

During the year, the following initiatives had been carried out:

1. Review existing board and identify gaps.
2. Review and develop succession plan.

Code Provisions	Compliance	Corporate Governance Practices
A.3.1 The independent non-executive directors should be identified in all corporate communications that disclose the names of directors.	✓	The composition of the Board, by category, is disclosed in all corporate communications.
A.3.2 An issuer should maintain on its website and on the Stock Exchange's website an updated list of its directors identifying their role and function and whether they are independent non-executive directors.	✓	The Company has maintained on its website and on the Stock Exchange's website an updated list of Directors identifying their role and function and whether they are independent non-executive Directors.

A.4 Appointments, re-election and removal

Principle

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

The Board has also reviewed the Group's succession planning for senior appointments from time to time.

Code Provisions	Compliance	Corporate Governance Practices
A.4.1 Non-executive directors should be appointed for a specific term, subject to re-election.	✓	The independent non-executive Directors are appointed for a term of three years and are subject to retirement by rotation and re-election at the annual general meetings of the Company.
A.4.2 All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.	✓	
A.4.3 If an independent non-executive director serves more than 9 years, his further appointment should be subject to a separate resolution to be approved by shareholders.	N/A	No independent non-executive Director has served the Board for more than nine years.

A.5 Nomination Committee		
Code Provisions	**Compliance**	**Corporate Governance Practices**
A.5.1 Issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director and comprises a majority of independent non-executive directors.	✓	The Company established the Nomination Committee pursuant to a resolution of all Directors passed on 15 June 2007. For the year ended 31 December 2015, the Nomination Committee had four members comprising all independent non-executive Directors, namely, Mr. Chen Johnny, Mr. Chan Fu Keung, William, *BBS*, Mr. Yue Chao-Tang, Thomas and Mr. Bolliger Peter. The chairman of the Nomination Committee is Mr. Chen Johnny. During the year ended 31 December 2015, two Nomination Committee meetings were held and the attendance record is set out below: Name — Attendance Mr. Chen Johnny *(Chairman)* — 2/2 Mr. Chan Fu Keung, William, *BBS* — 2/2 Mr. Yue Chao-Tang, Thomas — 2/2 Mr. Bolliger Peter — 2/2 During the year, the following work has been performed by the Nomination Committee: (i) reviewed the structure, size and composition of the Board; (ii) reviewed the board diversity policy; (iii) discussed succession planning; (iv) made recommendation as to which Directors shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election; and (v) assessed the independence of independent non-executive Directors.

Code Provisions	Compliance	Corporate Governance Practices
A.5.2 The nomination committee should be established with specific written terms of reference which deal clearly with its authority and duties.	✓	The Nomination Committee was established with specific written terms of reference which deal clearly with its authority and duties. The principal role and function of the Nomination Committee include reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorship, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.
A.5.3 The nomination committee should make available its terms of reference explaining its role and the authority delegated to it by the board by including them on the Stock Exchange's website and the issuer's website.	✓	The terms of reference of the Nomination Committee are posted on the Stock Exchange's website and the Company's website.
A.5.4 Issuers should provide the nomination committee sufficient resources to perform its duties. Where necessary, the nomination committee should seek independent professional advice, at the issuer's expense, to perform its responsibilities.	✓	The Nomination Committee has been provided with sufficient resources to perform its duties. In particular, the Nomination Committee is empowered to obtain independent professional advice, and any expenses incurred shall be borne by the Company.
A.5.5 Where the board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe he should be elected and the reasons why they consider him to be independent.	✓	
A.5.6 The nomination committee (or the board) should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy in the corporate governance report.	✓	Please refer to the disclosure made under A.3 in this report.

A.6 Responsibilities of directors

Principle

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

Code Provisions	Compliance	Corporate Governance Practices
A.6.1 Every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.	✓	All newly appointed Directors have received induction program on appointments, which are tailored to their background, experience and their role in the Group and are designed to enable them to better understand the operations and business of the Group. The program includes an induction package given to newly appointed Directors, which comprises a brief introduction of the Group's business and the statutory and regulatory obligations of a director of a listed company. Independent non-executive Directors are invited to site visits of major operating units of the Group and briefed by the Company's executive Directors and senior management on the Group's business and governance practices. Subsequently Directors also receive monthly updates comprising the Group's financial Information and order outlook. In addition, they also receive market intelligence materials (called Monthly Industry Tracker), for them to better appraise the industry in which the Group operates. During the year, Directors also participated in training sessions for update on changes to the legal and regulatory environments in which the Group operates.
A.6.2 The functions of non-executive directors should include: (a) participating in board meetings to bring an independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct; (b) taking the lead where potential conflicts of interests arise; (c) serving on the audit, remuneration, nomination and other governance committees, if invited; and (d) scrutinising the issuer's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.	✓	The independent non-executive Directors have exercised independent judgment on issues discussed at Board meetings. They have also scrutinised the Company's performance by reviewing the business and financial performance updates at regular Board meetings and following up any outstanding issues after such meetings.

Code Provisions	Compliance	Corporate Governance Practices
A.6.3 Every director should ensure that he can give sufficient time and attention to the issuer's affairs and should not accept the appointment if he cannot do so.	✓	All executive Directors have in-depth industry knowledge and established track record, whose interests are aligned with that of the Company. Every Director has given sufficient time and attention to the Company's affairs. The independent non-executive Directors have brought a wide spectrum of their extensive knowledge and experience in their respective business undertakings to the Board for the fullest performance of its functions.
A.6.4 The board should establish written guidelines no less exacting than the Model Code for relevant employees in respect of their dealings in the issuer's securities.	✓	The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the Directors. The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code. All the Directors confirmed that they have complied with the required standard set out in the Model Code during the year. The Company will reiterate and remind the Directors from time to time the relevant rules and requirements in relation to Directors' dealing in securities to ensure the compliance of the Model Code. The persons occupying the following positions are regarded as the relevant employees of the Company subject to the restrictions on dealings in the Company's shares under the Model Code: Chief Executive Officer Chief Operating Officer Chief Financial Officer Company Secretary Investor Relations Manager

Code Provisions	Compliance	Corporate Governance Practices
A.6.5 All directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the board remains informed and relevant. The issuer should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of a listed company director. Note: Directors should provide a record of the training they received to the issuer.	✓	The Company is responsible for arranging and funding continuous professional development program for the Directors. Please refer to the disclosure made under A.6.1 in this report. All Directors are required to provide the Company with their training records. During the year, the Directors participated in the kinds of training as follows: Name of Directors — Kinds of Training Executive Directors Mr. Chiang Jeh-Chung, Jack *(Chairman)* — A, B, C Mr. Chao Ming-Cheng, Eric *(Deputy Chairman)* — A, B, C Mr. Chen Li-Ming, Lawrence *(Chief Executive Officer)* — A, B, C Mr. Chi Lo-Jen — A, B, C Independent Non-executive Directors Mr. Chen Johnny — A, B, C Mr. Bolliger Peter — A, B, C Mr. Chan Fu Keung, William, *BBS* — A, B, C Mr. Yue Chao-Tang, Thomas — A, B, C A: Legal/regulatory B: Business C: Financial
A.6.6 Each director should disclose to the issuer at the time of his appointment, and in a timely manner for any change, the number and nature of offices held in public companies or organisations and other significant commitments.	✓	The Directors are required to confirm to the Company at the time of appointment, and subsequently bi-annually any change, the number and nature of offices held in public companies or organisations and other significant commitments.
A.6.7 Independent non-executive directors and other non-executive directors, as equal board members, should give the board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.	✓	Please refer to the disclosure made under A.1.1, A.6.2 and A.6.3 in this report.
A.6.8 Non-executive directors should make a positive contribution to the development of the issuer's strategy and policies through independent, constructive and informed comments.	✓	Please refer to the disclosure made under A.6.2 and A.6.3 in this report.

A.7 Supply of and access to information

Principle

Directors have been provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities.

Code Provisions	Compliance	Corporate Governance Practices
A.7.1 For regular board meetings, and as far as practicable in all other cases, an agenda and accompanying board papers should be sent, in full, to all directors. These should be sent in a timely manner and at least 3 days before the intended date of board or board committee meeting (or other agreed period).	✓	Board papers are sent to the Directors for review at such period as agreed before the Board or Board committee meetings.
A.7.2 Management has an obligation to supply the board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable. To fulfill his duties properly, a director may not, in all circumstances, be able to rely purely on information provided voluntarily by management and he may need to make further enquiries. Where any director requires more information than is volunteered by management, he should make further enquiries where necessary. So, the board and individual directors should have separate and independent access to the issuer's senior management.	✓	The relevant senior management attends all regular meetings of the Board and its committees to present the Group's business/financial performance to the Board and individual Directors and answer all questions of the Board and individual Directors on the matters discussed at such meetings. The Directors have separate and independent access to the Company's senior management to keep themselves abreast of business activities, financial performance, internal audit and internal control progress in the Group.
A.7.3 All directors are entitled to have access to board papers and related materials. These papers and related materials should be in a form and quality sufficient to enable the board to make informed decisions on matters placed before it. Queries raised by directors should receive prompt and full response, if possible.	✓	Please refer to the disclosure made under A.7.1 and A.7.2 in this report.

B.	Remuneration of Directors and Senior Management and Board Evaluation

B.1 The level and make-up of remuneration and disclosure

Principle

There is sufficient disclosure on Directors' remuneration policy and other remuneration related matters. A formal and transparent procedure for setting policy on executive Directors' remuneration and for fixing the remuneration packages for all Directors has been in place. No Director has been involved in deciding his/her own remuneration.

The Remuneration Committee

The Company established the Remuneration Committee pursuant to a resolution of all Directors passed on 15 June 2007. For the year ended 31 December 2015, the Remuneration Committee had three members comprising all independent non-executive Directors, Mr. Chan Fu Keung, William, *BBS*, Mr. Yue Chao-Tang, Thomas and Mr. Chen Johnny. The chairman of the Remuneration Committee is Mr. Chan Fu Keung, William, *BBS*.

The principal role and function of the Remuneration Committee are making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, reviewing and making recommendation to the Board the management's remuneration proposals for Directors and reviewing the Group's overall human resources strategy.

During the year ended 31 December 2015, two Remuneration Committee meetings were held, and the attendance records are set out below:

Name	Attendance
Mr. Chan Fu Keung, William, *BBS (Chairman)*	2/2
Mr. Yue Chao-Tang, Thomas	2/2
Mr. Chen Johnny	1/2

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

(i) reviewed the Group's human resources and remuneration strategies;
(ii) reviewed and determined the policy for the remuneration of executive Directors;
(iii) reviewed the performance of executive Directors and senior management; and
(iv) made recommendations to the Board on the proposed remuneration packages of individual Directors and senior management.

Code Provisions	Compliance	Corporate Governance Practices
B.1.1 The remuneration committee should consult the chairman and/or chief executive about their proposals for other executive directors. The remuneration committee should have access to independent professional advice if necessary.	✓	The procedure for setting policy on executive Directors' remuneration is as follows: (i) The Company's management makes recommendations to the Remuneration Committee on the executive Directors' remuneration; (ii) the Remuneration Committee then reviews these recommendations (with access to professional advice if considered necessary and at the Company's expense) and proposes the final remuneration package to the Board for approval; and (iii) No Director or any of his or her associates is involved in deciding his or her own remuneration.
B.1.2 The remuneration committee's terms of reference should include: (a) to make recommendations to the board on the issuer's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) to review and approve the management's remuneration proposals with reference to the board's corporate goals and objectives; (c) either: (i) to determine, with delegated responsibility, the remuneration packages of individual executive directors and senior management; or (ii) to make recommendations to the board on the remuneration packages of individual executive directors and senior management; (d) to make recommendations to the board on the remuneration of non-executive directors; (e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group;	✓	The Remuneration Committee was established with specific written terms of reference which deal clearly with the committee's authority and duties and followed closely the CG Code requirements. The Remuneration Committee adopts the model of making recommendations to the Board on the remuneration packages of individual executive directors and senior management.

Code Provisions	Compliance	Corporate Governance Practices
(f) to review and approve compensation payable to executive directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; (g) to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and (h) to ensure that no director or any of his associates is involved in deciding his own remuneration.		
B.1.3 The remuneration committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including on the Stock Exchange's website and the issuer's website.	✓	The terms of reference of the Remuneration Committee are posted on the Stock Exchange's website and the Company's website.
B.1.4 The remuneration committee should be provided with sufficient resources to perform its duties.	✓	The Remuneration Committee has full access to the human resources personnel and senior management if required to obtain any information relating to the human resources structure of the Group so as to facilitate making appropriate remuneration-related recommendations and proposals. The Remuneration Committee also has access to independent professional advice at the Company's expense if considered necessary.
B.1.5 Issuers should disclose details of any remuneration payable to members of senior management by band in their annual report.	✗	To observe the competitive market practices and to respect individual privacy, the Company did not make such disclosure in its annual report and accounts.

Recommended Best Practices	Compliance	Corporate Governance Practices
B.1.6 Where the board resolves to approve any remuneration or compensation arrangements which the remuneration committee disagrees, the board must disclose the reasons for its resolution in its next Corporate Governance Report.	N/A	No such disagreement happened for the year ended 31 December 2015.
B.1.7 A significant proportion of executive directors' remuneration should link rewards to corporate and individual performance.	✓	For the year ended 31 December 2015, the executive Directors' performance-based remuneration related to their executive roles constituted 80.8% on average of their total remuneration.
B.1.8 Issuers should disclose details of any remuneration payable to members of senior management, on an individual and named basis, in their annual reports and accounts.	✗	To observe the competitive market practices and to respect individual privacy, the Company did not make such disclosure in its annual report and accounts.
B.1.9 The board should conduct a regular evaluation of its performance.	✓	The Board has adopted a board evaluation programme since 2013 with the following objectives: (i) reviewing current Board and committee practices with the view to improving efficiency and effectiveness; (ii) providing a periodic opportunity for the Board to review the company's corporate governance framework; (iii) testing Directors' knowledge of the business and its strategic situation; (iv) assessing the balance of skills, knowledge and experience on the Board and its committees; (v) identifying weaknesses that can be remedied by training and development; and (vi) improving the Board composition. The Board believes that board evaluation is an on-going process and shall continuously assess its performance on a regular basis.

C. Accountability and audit

C.1 Financial reporting

Principle

The Board should present a balanced, clear and comprehensive assessment of the Company's performance, position and prospects.

Code Provisions	Compliance	Corporate Governance Practices
C.1.1 Management should provide sufficient explanation and information to the board to enable it to make an informed assessment of financial and other information put before it for approval.	✓	Before the commencement of a new financial year, annual business plan and budget are presented to the Board for approval. To evaluate the performance of the Group, presentation of business review and financial analysis of the Group is made to the Board by the management at Board meetings at relevant Board meetings to approve the financial results of the Group.
C.1.2 Management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.	✓	The management provides monthly updates to the Board members, giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties. The monthly updates comprise internal financial information comparing to budget, industry peer comparison, as well as market intelligence.

Code Provisions	Compliance	Corporate Governance Practices
C.1.3 The directors should acknowledge in the Corporate Governance Report their responsibility for preparing the accounts. There should be a statement by the auditors about their reporting responsibilities in the auditor's report on the financial statements. Unless it is inappropriate to assume that the company will continue in business, the directors should prepare the accounts on a going concern basis, with supporting assumptions or qualifications as necessary. Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the issuer's ability to continue as a going concern, they should be clearly and prominently disclosed and discussed at length in the Corporate Governance Report. The Corporate Governance Report should contain sufficient information for investors to understand the severity and significance of matters. To a reasonable and appropriate extent, the issuer may refer to other parts of the annual report. These references should be clear and unambiguous and the Corporate Governance Report should not contain only a cross-reference without any discussion of the matter.	✓	Directors and auditor of the Company have stated their responsibilities on pages 75 and 93 respectively of this annual report. The Board is responsible for the preparation of financial statements of the Company and ensuring that they give a true and fair view of the state of affairs of the Company according to the relevant statutory requirements and accounting standards. The Directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

Code Provisions	Compliance	Corporate Governance Practices
C.1.4 The directors should include in the separate statement containing a discussion and analysis of the group's performance in the annual report, an explanation of the basis on which the issuer generates or preserves value over the longer term (the business model) and the strategy for delivering the issuer's objectives.	✓	Under the management discussion and analysis section of this annual report, a separate statement has been made to describe the Group's business model and the strategy for delivering the Group's objectives.
C.1.5 The board should present a balanced, clear and understandable assessment in annual and interim reports, other price-sensitive announcements and other financial disclosures required by the Listing Rules. It should also do so for reports to regulators and information disclosed under statutory requirements.	✓	Legal advisers have been retained and are consulted from time to time to assist the board in ensuring that disclosures in financial reports, announcements and any other reports and statements have presented a balanced, clear and understandable assessment of the position of the Group.
Recommended Best Practices	**Compliance**	**Corporate Governance Practices**
C.1.6 An issuer should announce and publish quarterly financial results within 45 days after the end of the relevant quarter.	✗	In order to provide the Shareholders with pertinent information relating to the business and operations of the Company on a more timely basis, since the first quarter of 2009, the Company has voluntarily reported on its quarterly business development. Consequently, the Company discontinued publishing voluntary quarterly financial results commencing from the first quarter of 2009.
C.1.7 Once an issuer announces quarterly financial results, it should continue to do so for each of the first 3 and 9 months periods of subsequent financial years. Where it decides not to continuously announce and publish its financial results for a particular quarter, it should announce the reasons for such decision.	✗	Please refer to the disclosure made under C.1.6 in this report.

C.2 Risk Management and Internal control

Principle

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectiveness, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Accordingly, the Board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems. The Board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the Board on the effectiveness of these systems.

Code Provisions	Compliance	Corporate Governance Practices
C.2.1 The board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually and report to the shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.	✓	The effectiveness of the risk management and internal control systems (covering financial, operational and compliance controls) and specifically, the progress of internal audit (in various operating aspects such as fixed assets, sales, purchase, wage and production) are reviewed, and their respective aspects that can be further strengthened are identified, at the regular Audit Committee meetings corresponding to the financial reporting periods. The findings at such meetings are reported subsequently at Board meetings to enable the Directors to assess the effectiveness of the risk management and internal control systems of the Group and impel them to improve constantly, which helps manage enterprise risks and improve its risks mitigation. The Board considers such review effective and adequate. The Group's risk management and internal control systems and internal audit manual have been reviewed comprehensively and implemented according to internal operation flow and business environment changes and obtained affirmative assessment of a third-party professional body. This system, which is COSO-based, comprises 5 elements: control environment, risk assessment, control activities, information and communication, and monitoring. The internal control procedures of the Group include strategic control, management control and business process control. The internal control procedures are designed to safeguard the integrity of business processes (including financial and human assets, data/information and applicable systems), improve business effectiveness and efficiency, improve the quality of information for decision-making, as well as maintain a high standard of corporate governance.

Code Provisions	Compliance	Corporate Governance Practices
		For the handling and dissemination of inside information, a Memorandum on Disclosure of (1) Inside Information and (2) Information Necessary to Avoid a False Market (the "Inside Information Memorandum") has been adopted by the Board since March 2013 with an aim to give guidance on the managing, protection and disclosure of inside information as well as the disclosure of information necessary for avoidance of a false market. Under the Inside Information Memorandum, the control mechanism embodies (1) control structure and; (2) control process, which are articulated as below: **Control Structure** Monitors business and corporate developments to identify and escalate potential inside information to attention of the designated officers, committee or the Board. **Control Process** Oversight: Corporate Governance Committee, acting on behalf of the Board – to determine whether the reported information is inside information and to make necessary disclosure and any other course of actions Inside information assessment, reporting and communication: Chief Financial Officer and the Executive Committee – Chief Financial Officer assesses potential inside information and reports to the Executive Committee – Executive Committee to form a view whether to escalate the potential inside information to the Corporate Governance Committee. If the Executive Committee's view is affirmative, the Chief Financial Officer shall communicate it to the Chairman of the Corporate Governance Committee.

Code Provisions	Compliance	Corporate Governance Practices
		Control Ownership: General manager of each business unit; and corporate office – identify potential inside information and report to the Chief Financial Officer The internal control functions are vested in the internal audit team which reports directly to the Audit Committee and the Chief Executive Officer of the Company. Deloitte Touche Tohmatsu, the Company's external auditor, reported on matters concerning internal control of the Group for the year ended 31 December 2015 in accordance with Hong Kong Standards on Auditing to the Audit Committee during its regular meetings.
C.2.2 The board's annual review should, in particular, ensure the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting, internal audit and financial reporting functions.	✓	
C.2.3 The board's annual review should consider: (a) the changes, since the last annual review, in the nature and extent of significant risks; and the issuer's ability to respond to changes in its business and external environment; (b) the scope and quality of management's ongoing monitoring of risks and of the internal control system; (c) the extent and frequency of communication of monitoring results to the board which enables it to assess control of the issuer and the effectiveness of risk management; (d) significant control failings or weaknesses that have been identified during the period; and (e) the effectiveness of the issuer's processes for financial reporting and Listing Rule compliance.	✓	The Company's review has generally covered the aspects as referred to in C.2.3 of the CG Code.

Code Provisions	Compliance	Corporate Governance Practices
C.2.4 Issuers should disclose, in the Corporate Governance Report, a narrative statement on how they have complied with risk management and internal control code provisions during the reporting period. In particular, they should disclose: (a) the process used to identify, evaluate and manage significant risks; (b) the main features of the risk management and internal control systems; (c) an acknowledgement by the board that it is responsible for the risk management and internal control systems and reviewing their effectiveness. It should also explain that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss; (d) the process used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects; and (e) the procedures and internal controls for the handling and dissemination of inside information.	✓	Please refer to the disclosure made under C.2 and C.2.1 in this report.
C.2.5 The issuers should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report.	✓	As set out under C.2.1 in this report, the Group has an internal audit team which reports directly to the Audit Committee and the Chief Executive Officer of the Company.

Recommended Best Practices	Compliance	Corporate Governance Practices
C.2.6 The board may disclose in the Corporate Governance Report that it has received a confirmation from management on the effectiveness of the issuer's risk management and internal control systems.	✓	The Board has received a confirmation from management on the effectiveness of the Group's risk management and internal control systems.
C.2.7 The board may disclose in the Corporate Governance Report details of any significant areas of concern.	N/A	

C.3 Audit Committee

Principle

The Board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the Company's auditor.

The Company established the Audit Committee pursuant to a resolution of all Directors passed on 15 June 2007. For the year ended 31 December 2015, the Audit Committee had three members comprising three independent non-executive Directors, namely Mr. Yue Chao-Tang, Thomas, Mr. Chen Johnny and Mr. Chan Fu Keung, William, *BBS*.

The principal duties of the Audit Committee include the review of the relationship with the Company's external auditor, review of the financial information of the Company, oversight of the Company's financial reporting system, risk management and internal control systems, and the review of the Company's compliance with any applicable laws and regulations.

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

During the year ended 31 December 2015, three Audit Committee meetings were held, and the attendance records are set out below:

Name	Attendance
Mr. Yue Chao-Tang, Thomas *(Chairman)*	3/3
Mr. Chen Johnny	2/3
Mr. Chan Fu Keung, William, *BBS*	2/3

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

(i) reviewed financial reporting system;
(ii) reviewed the risk management and internal control systems;
(iii) reviewed the report of I.T. department;
(iv) reviewed and discussed interim and annual results; and
(v) monitored the Group's tax matters.

External Auditor and Auditor's Remuneration

The remuneration paid/payable to the external auditor of the Company, Deloitte Touche Tohmatsu, in respect of audit services and non-audit services provided to the Group for the year ended 31 December 2015 was US$533,000 and US$119,000 respectively. The non-audit services related primarily to tax consulting services. The external auditor will not be engaged for non-audit services unless such services constitute permissible non-audit services which should be endorsed by the Audit Committee.

Code Provisions	Compliance	Corporate Governance Practices
C.3.1 Full minutes of audit committee meetings should be kept by a duly appointed secretary of the meeting. Draft and final versions of minutes of meetings should be sent to all members of the committee for their comment and records, within a reasonable time after the meeting.	✓	The Company Secretary is responsible for preparing minutes of all Audit Committee meetings and such minutes have recorded in sufficient detail all matters discussed and resolved at such meetings. Draft minutes are circulated to all members for comment within a reasonable time after each meeting and final version of the minutes is circulated to all the Directors for records.
C.3.2 A former partner of the issuer's existing auditing firm should be prohibited from acting as a member of its audit committee for a period of 1 year from the date of his ceasing (a) to be a partner of the firm; or (b) to have any financial interest in the firm, whichever is later.	✓	None of the members of the Audit Committee are former partners of the Company's existing auditing firm.
C.3.3 The audit committee's terms of reference should include at least: (a) Relationship with the issuer's auditor; (b) Review of issuer's financial information; (c) Oversight of the issuer's financial reporting system, risk management and internal control systems.	✓	The Audit Committee was established with specific written terms of reference which have complied with the CG Code requirements.
C.3.4 The audit committee should make available its terms of reference, explaining its role and the authority delegated to it by the board by including them on the Stock Exchange's website and the issuer's website.	✓	The terms of reference are posted on the Stock Exchange's website and the Company's website.
C.3.5 Where the board disagrees with the audit committee's views on the selection, appointment, resignation or dismissal of the external auditor, the issuer should include in the Corporate Governance Report a statement from the audit committee explaining its recommendation and also the reasons why the board has taken a different view.	N/A	During the year, there was no such disagreement, but the Board shall endeavour to comply with the requirement when such situation arises.

Code Provisions	Compliance	Corporate Governance Practices
C.3.6 The audit committee should be provided with sufficient resources to perform its duties.	✓	The Audit Committee has full access to the executive Directors, the senior management and internal audit team for any information relating to the Company's financial performance, financial reporting system, risk management and internal control systems to facilitate the process of making appropriate recommendations and proposals. In addition, the Audit Committee may obtain advice from the external legal and other independent professional advice whenever they consider necessary.
C.3.7 The terms of reference of the audit committee should also require it: (a) to review arrangements employees of the issuer can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for the fair and independent investigation of these matters and for appropriate follow-up actions; and (b) to act as the key representative body for overseeing the issuer's relation with the external auditor.	✓	The terms of reference of the Audit Committee have covered the two items as referred to C.3.7 of the CG Code.
Recommended Best Practices	**Compliance**	**Corporate Governance Practices**
C.3.8 The audit committee should establish a whistleblowing policy and system for employees and those who deal with the issuer to raise concerns, in confidence, with the audit committee about possible improprieties in any matter related to the issuer.	✓	

D. Delegation by the Board

D.1 Management functions

Principle

The Company has established a formal schedule of matters specifically reserved for board approval. The respective responsibilities of the Board and the management of the Company have been formalised and set out in writing. Such separation of responsibilities has been articulated under A.1 in this report.

Code Provisions	Compliance	Corporate Governance Practices
D.1.1 When the board delegates aspects of its management and administration functions to management, it must, at the same time, give clear directions as to the management's powers, in particular, where management should report back and obtain prior board approval before making decisions or entering into any commitments on the issuer's behalf.	✓	Management meetings are held periodically where executive Directors and heads of senior management of the respective business divisions are present and clear directions are given as to the management's powers.
D.1.2 An issuer should formalise the functions reserved to the board and those delegated to management. It should review those arrangements periodically to ensure that they remain appropriate to the issuer's needs.	✓	Please refer to the disclosure made under A.1 in this report.
D.1.3 An issuer should disclose the respective responsibilities, accountabilities and contributions of the board and management.	✓	Executive Directors assume the day-to-day management functions in their respective business divisions in the Group so that those affected by corporate decisions in each business division are fully aware of the division of responsibilities between the Board and the management.
D.1.4 Directors should clearly understand delegation arrangements in place. Issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.	✓	The respective responsibilities of the Board and the management of the Company have been formalised and set out in writing.

D.2 Board Committees		
Principle Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties.		
D.2.1 Where board committees are established to deal with matters, the board should give them sufficiently clear terms of reference to enable them to perform their functions properly.	✓	The Board committees were established with their respective specific terms of reference.
D.2.2 The terms of reference of board committees should require them to report back to the board on their decisions or recommendations, unless there are legal or regulatory restrictions on their ability to do so (such as a restriction on disclosure due to regulatory requirements).	✓	This requirement is satisfied in the respective terms of reference of each Board committee of the Company.

D.3 Corporate Governance Functions

For the year ended 31 December 2015, the Corporate Governance Committee had three members comprising all independent non-executive Directors, namely Mr. Bolliger Peter, Mr. Chan Fu Keung, William, *BBS* and Mr. Yue Chao-Tang, Thomas. The chairman of the Corporate Governance Committee is Mr. Bolliger Peter.

During the year ended 31 December 2015, one Corporate Governance Committee meeting was held, and the attendance records are set out below:

Name of Directors	Attendance
Mr. Bolliger Peter *(Chairman)*	1/1
Mr. Yue Chao-Tang, Thomas	1/1
Mr. Chan Fu Keung, William, *BBS*	1/1

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

(i) reviewed annual corporate governance report and corporate social responsibilities report and related disclosure in the annual and interim reports;
(ii) reviewed corporate governance framework;
(iii) reviewed the board evaluation program;
(iv) reviewed corporate disclosure policy; and
(v) reviewed training and continuous professional development of Directors and senior management.

Code Provisions	Compliance	Corporate Governance Practices
D.3.1 The terms of reference of the board (or a committee or committees performing this function) should include at least: (a) to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board; (b) to review and monitor the training and continuous professional development of directors and senior management; (c) to review and monitor the issuer's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors; and (e) to review the issuer's compliance with the code and disclosure in the Corporate Governance Report.	✓	The Board has delegated the corporate governance functions to the Corporate Governance Committee. The terms of reference of the Corporate Governance Committee have covered the aspects as referred to in D.3.1 of the CG Code.
D.3.2 The board should be responsible for performing the corporate governance duties set out in the terms of reference in D.3.1 or it may delegate the responsibility to a committee or committees.	✓	Please refer to the disclosure made under D.3.1 in this report.

E. Communication with Shareholders

E.1 Effective communication

Principle

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

Shareholders' Rights

(a) How Shareholders can convene an extraordinary general meeting

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

(b) The procedures for sending enquiries to the Board

Shareholders may put enquiries to the Board (i) in writing to the Company's registered office in Hong Kong (Suites 3003-04, 30/F, Tower 2, The Gateway, 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong) for attention to the Company Secretary or (ii) by email at stella@stella.com.hk or (iii) by attending the Company's annual general meeting or extraordinary general meeting.

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

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

In accordance with article 88 of the Company's articles of association, if a Shareholder wishes to propose a person other than a Director for election as a Director at any general meeting, a notice signed respectively by that Shareholder giving his intention to propose such person for election and stating the full name of the person proposed for election as a Director, including the person's biographical details as required by rule 13.51(2) of the Listing Rules, and also the person to be proposed of his willingness to be elected as Director, be lodged at the Company's registered office in Hong Kong (Suites 3003-04, 30/F, Tower 2, The Gateway, 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong) attention to the Company Secretary. The minimum length of the period, during which such notices are given, shall be at least seven days and that (if the notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notices shall commence on the day after dispatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

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

(ii) other proposals

If a Shareholder wishes to make other proposals at Shareholders' meeting, he may lodge a written request, duly signed, at the Company's registered office in Hong Kong (Suites 3003-04, 30/F, Tower 2, The Gateway, 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong) attention to the Company Secretary.

Change in constitutional documents

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

Code Provisions	Compliance	Corporate Governance Practices
E.1.1 For each substantially separate issue at a general meeting, a separate resolution should be proposed by the chairman of that meeting. Issuers should avoid "bundling" resolutions unless they are interdependent and linked forming one significant proposal. Where the resolutions are "bundled", issuers should explain the reasons and material implications in the notice of meeting.	✓	At the annual general meeting held on 22 May 2015 ("2015 AGM"), separate resolutions were proposed by the chairman of the meeting in respect of each substantially separate issue in accordance with E.1.1 of the CG Code. The 2015 AGM was held on 22 May 2015 at the Marco Polo Hongkong Hotel, Harbour City, Kowloon, Hong Kong. The major items discussed are set out below: (i) to approve the audited consolidated financial statements of the Group and the report of the Directors and the auditor of the Company; (ii) to declare a final dividend; (iii) to re-elect Directors; (iv) to re-appoint the auditor of the Company; (v) to grant general mandate to Directors to issue additional shares in the Company, not exceeding 5% of the issued share capital; and (vi) to grant general mandate to Directors to purchase shares in the Company not exceeding 10% of the issued capital. Voting of all resolutions were conducted by poll and all resolutions were approved by Shareholders. The results of the voting had been published on the Stock Exchange's website and the Company's website.

Code Provisions	Compliance	Corporate Governance Practices
E.1.2 The chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting. The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval. An issuer's management should ensure the external auditor attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.	Partially complied with	The Chairman had not attended the 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, the Corporate Governance Committee, the Remuneration Committee and the 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. Please refer to the disclosure made under A.2 in this report. In addition, Deloitte Touche Tohmatsu, the Company's external auditor, had attended the 2015 AGM to answer Shareholders' questions. The Directors' attendance record for the 2015 AGM held on 22 May 2015 is set out below: Name of Directors — Attendance **Executive Directors** Mr. Chiang Jeh-Chung, Jack *(Chairman)* — 0/1 Mr. Chao Ming-Cheng, Eric — 0/1 Mr. Chen Li-Ming, Lawrence *(Chief Executive Officer)* — 1/1 Mr. Chi Lo-Jen — 0/1 **Independent Non-executive Directors** Mr. Chen Johnny — 1/1 Mr. Bolliger Peter — 0/1 Mr. Chan Fu Keung, William, *BBS* — 1/1 Mr. Yue Chao-Tang, Thomas — 1/1
E.1.3 The issuer should arrange for the notice to shareholders to be sent for annual general meetings at least 20 clear business days before the meeting and to be sent at least 10 clear business days for all other general meetings.	✓	For the 2015 AGM, the notices to Shareholders were sent more than 20 clear business days before the meeting.

Code Provisions	Compliance	Corporate Governance Practices
E.1.4 The board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness.	✓	The Company maintains a Corporate Disclosure Policy since its adoption by the Board in 2010, on which the framework of Shareholders' communication policy is built. In the Corporate Disclosure Policy, the following major aspects are dealt with: (a) to determine the authorised Company spokespersons and their responsibilities; (b) to give guidelines to employees; (c) to determine policy on communicating with media; (d) to determine policy on meetings with analysts and on reviewing analyst reports; (e) to determine policy on commenting on analysts' earnings estimates and earnings forecasts; (f) to determine policy on responding to rumours/leaks/inadvertent disclosures; and (g) to determine policy on forward-looking statements. The Corporate Governance Committee reviews this Corporate Disclosure Policy on an annual basis.

E.2 Voting by Poll

Principle

The Company should ensure that Shareholders are familiar with the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the Company.

Code Provisions	Compliance	Corporate Governance Practices
E.2.1 The chairman of a meeting should ensure that an explanation is provided of the detailed procedures for conducting a poll and answer any questions from shareholders on voting by poll.	✓	Detailed explanation regarding the procedures for demanding poll by Shareholders had been provided at the commencement of the 2015 AGM.

F. Company Secretary

Principle

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

Code Provisions	Compliance	Corporate Governance Practices
F.1.1 The company secretary should be an employee of the issuer and have day-to-day knowledge of the issuer's affairs.	✓	Ms. Kan Siu Yim, Katie, the company secretary of the Company (the "Company Secretary"), is an employee of the Company and she has day-to-day knowledge of the Company's affairs.
F.1.2 The board should approve the selection, appointment or dismissal of the company secretary.	✓	The Board is responsible for approving the selection, appointment or dismissal of the Company Secretary.
F.1.3 The company secretary should report to the board chairman and/or the chief executive.	✓	The Company Secretary reports to the Chief Financial Officer and the Chief Executive Officer on day-to-day duties and responsibilities and to the Deputy Chairman on governance matters.
F.1.4 All directors should have access to the advice and services of the company secretary to ensure that board procedures, and all applicable law, rules and regulations, are followed.	✓	All Directors have full access to the advice and services of the Company Secretary and legal and professional consultants of the Company, whenever necessary, to ensure compliance with all applicable law, rules and regulations, and corporate governance practices.

DIRECTORS' AND AUDITOR'S ACKNOWLEDGEMENT

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

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

The external auditor of the Company acknowledges its reporting responsibilities in the auditor's report on the financial statements for the year under review.

biographies of directors and senior management

Experienced Management which uphold Stella's Core Values

biographies of directors and senior management

EXECUTIVE DIRECTORS

Mr. CHIANG Jeh-Chung, Jack, aged 65, is the Chairman of the Board, an executive Director of the Company and a member of the Executive Committee of the Board. Mr. Chiang has been with the Group since 1983 and is one of the founders of the Group. He is responsible for the Group's design, development, marketing and customer relationship. Mr. Chiang has over 33 years of experience in new product development and management in the footwear industry. He is also a director of certain subsidiaries of the Company which are engaged in design and marketing activities. He is the uncle of the Executive Director, Mr. Chi Lo-Jen. He is indirectly interested in the issued share capital of Cordwalner Bonaventure Inc., the controlling shareholder of the Company.

Mr. CHAO Ming-Cheng, Eric, aged 64, is the Deputy Chairman of the Board, an executive Director of the Company and a member of the Executive Committee of the Board. Mr. Chao has been with the Group since 1982 and is one of the founders of the Group. He is responsible for factory management and setting up new manufacturing facilities. Mr. Chao has over 34 years of experience in management in the footwear industry. He holds a Bachelor of Commerce degree from the Tunghai University, Taiwan. He is also a director of certain subsidiaries of the Company which are engaged in manufacturing business. He is indirectly interested in the issued share capital of Cordwalner Bonaventure Inc., the controlling shareholder of the Company.

Mr. CHEN Li-Ming, Lawrence, aged 55, is an executive Director of the Company, the Chief Executive Officer of the Group and the chairman of the Executive Committee of the Board. Mr. Chen has been with the Group since 1985. He is responsible for the Group's corporate management. He has over 31 years of experience in technology development and management in the footwear industry. He holds a Bachelor of Electrophysics degree from the National Chiao Tung University, Taiwan. He is also a director of certain subsidiaries of the Company which are engaged in design and marketing activities, manufacturing and retail business. He is a director of Cordwalner Bonaventure Inc., the controlling shareholder of the Company. He is also indirectly interested in the issued share capital of Cordwalner Bonaventure Inc.. He is the cousin of a member of the senior management of the Company, Mr. Yang Chen-Ning.

Mr. CHI Lo-Jen, aged 44, is an executive Director of the Company and a member of the Executive Committee of the Board. Mr. Chi joined the Group in 1995 and is the Chief Executive Officer of both of the Women's Footwear Business Division and the Retail Business Division of the Group. He is responsible for the supervision of the daily operations and business development of women's footwear and retail business. Mr. Chi is also responsible for product design and development. He has over 21 years of experience in the footwear industry. He is also a director of certain subsidiaries of the Company which are engaged in retail business. Mr. Chi is the nephew of the Chairman of the Board, Mr. Chiang Jeh-Chung, Jack. He is indirectly interested in the issued share capital of Cordwalner Bonaventure Inc., the controlling shareholder of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHEN Johnny, aged 56, is an independent non-executive Director of the Company, and the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Board. Mr. Chen is currently an Adjunct Associate Professor at the Hong Kong University of Science and Technology. Mr. Chen joined Zurich Insurance Group ("Zurich") in 2005 and served as the chief executive officer of Greater China and South East Asia Regions from 2005 to 2010. From 2010 to 2013, he became the chief executive officer of the general insurance business in Asia Pacific Region. In 2013, Mr. Chen was appointed as the chairman of the life and general insurance businesses in China until his departure in 2014. Prior to joining Zurich, Mr. Chen was an executive member of the Greater China Management Board and the Operating Committee of PricewaterhouseCoopers ("PwC"). He was also the managing partner of PwC's Beijing office during the same period. From July 2005 to January 2014, Mr. Chen was a non-executive director of New China Life Insurance Company Ltd. (Stock Code: 1336), a company listed on the Main Board of the Stock Exchange. Mr. Chen is currently an independent non-executive director of Viva China Holdings Limited (Stock Code: 8032), a company listed on the Growth Enterprise Market of the Stock Exchange. Mr. Chen is also currently an independent non-executive director of Uni-President China Holdings Ltd. (Stock Code: 220), China Minsheng Financial Holding Corporation Limited (stock code: 245) and Alibaba Pictures Group Limited (stock code: 1060) respectively, companies listed on the Main Board of the Stock Exchange. Mr. Chen received a master's degree in accounting from the University of Rhode Island and has been a U.S. qualified CPA since 1986. Mr. Chen has been appointed as an independent non-executive Director of the Company since February 2009.

Mr. BOLLIGER Peter, aged 71, is an independent non-executive Director of the Company, the chairman of the Corporate Governance Committee and a member of the Nomination Committee of the Board. Mr. Bolliger had extensive experience in retail business with renowned department stores. From 1990 to 1994, he was the managing director of Harrods, London, the director of House of Fraser Plc and the chairman of Kurt Geiger, London (which is one of the leading luxury footwear retailers in Europe). Prior to these appointments, he had served at shoes companies, such as the managing director of A & D Spitz (Pty) Ltd., South Africa (1982 to 1990) and the managing director of Bally Shoes, Scandinavian Division, Denmark. In 1994, he joined Clarks and became the chief executive in 2002 until his retirement in May 2010. He is currently an independent non-executive director and a member of the audit committee of GrandVision B.V., a well-known optical retail company in the world. Mr. Bolliger has been appointed as independent non-executive Director of the Company since October 2010.

Mr. CHAN Fu Keung, William, *BBS*, aged 67, is an independent non-executive Director of the Company, and the chairman of the Remuneration Committee and a member of the Audit Committee, the Corporate Governance Committee and the Nomination Committee of the Board. Mr. Chan was a member of the Executive Directorate and the Human Resources Director of the MTR Corporation Limited (Stock Code: 66) (the "MTR Corporation"), a company listed on the Main Board of the Stock Exchange since 1996 and 1998 respectively until July 2012 when he retired from the MTR Corporation after 23 years of service. As Human Resources Director of the MTR Corporation, he was responsible for overseeing human resources management, succession planning, organisation development, operations and management training, administration and security management of the MTR Corporation. Prior to joining the MTR Corporation, Mr. Chan held senior management positions in the commercial, utility and public sectors in Hong Kong, including the Hong Kong Government, the Hong Kong Productivity Council, Hutchison Whampoa Limited and Hong Kong Telecommunications Limited. Mr. Chan is a fellow member of the Hong Kong Institute of Human Resource Management since 1985. He is a member of the School of Business Advisory Committee of Hong Kong Baptist University, a member of the Remuneration Committee of the West Kowloon Cultural District Authority and a member of the Committee on Professional Development of Teachers and Principals (COTAP). He is also a member of the Hospital Authority Board, the chairman of its Human Resources Committee, and the trustee of the Hospital Authority Provident Fund Scheme. In addition, he is also the chairman of the Hospital Governing Committee of the Tuen Mun Hospital. Mr. Chan has been appointed as an independent non-executive director of Analogue Holdings Ltd (AHL), which is principally engaged in electrical and mechanical engineering, since August 2015. Mr. Chan received a Bachelor of Social Science degree from the University of Hong Kong in 1971. Mr. Chan has been appointed as an independent non-executive Director of the Company since September 2012.

Mr. YUE Chao-Tang, Thomas, aged 61, is an independent non-executive Director of the Company, the chairman of the Audit Committee and a member of the Corporate Governance Committee, the Nomination Committee and the Remuneration Committee of the Board. Mr. Yue was a partner and director of the Global Advisory Council of Ernst & Young from 1998 to 2001, and became the deputy chairman and chairman of Ernst & Young from 2001 to 2004 and from 2004 to 2007 respectively. Currently he is the president of Tien-Yeh Accounting Firm. He has been in the accounting profession for over 36 years. Mr. Yue also holds various positions in the academic field. He is also an adjunct professor of the Accounting and Information Technology Research Institute of the National Chung Chen University, a visiting professor of both the Accounting Faculty of the National Chung Hsing University and the Accounting and Information Research Institute of the Asia University. From June 2008 to June 2014, Mr. Yue was an independent director of WPG Holdings Limited (Stock Code: 3702), the shares of which are listed on the Taiwan Stock Exchange. Mr. Yue is currently an independent director of Industrial Bank of Taiwan (Stock Code: 2897), which is registered on Taiwan's Emerging Stock Market (also known as GreTai Securities Market). Mr. Yue is also currently an independent director of Uni-President Enterprises Corp. (Stock Code: 1216), Johnson Health Tech. Co., Ltd. (Stock Code: 1736) and Feng Hsin Steel Co., Ltd. (Stock Code: 2015) respectively, companies listed on the Taiwan Stock Exchange. In addition, he is a director of Taiwan Corporate Governance Association. Mr. Yue received a master's degree and a bachelor's degree in accounting from the National Cheng-Chi University and the National Cheng-Kung University respectively. In addition, Mr. Yue received a master's degree in business administration from China Europe International Business School. Mr. Yue has been a certified public accountant of Taiwan since 1983. Mr. Yue has been appointed as an independent non-executive Director of the Company since January 2013.

SENIOR MANAGEMENT

Business Division

Mr. SMOWTON Dermot, aged 60, is the Chief Operating Officer of the Group. Mr. Smowton joined the Group in December 2015. He is responsible for the Group's overall operational management. Prior to joining the Group, he was employed by C & J Clark International and completed his 34-year career there as global sourcing director.

Mr. CHEN Tung-Jui, aged 54, is the General Manager of the Men's Footwear Business Division of the Group. Mr. Chen has been with the Group since 1985. He has over 31 years of experience in the footwear industry. He is also a director of certain subsidiaries of the Company which are engaged in manufacturing business.

Mr. CHU Chao-Min, aged 56, is the General Manager of the Overseas Footwear Business Division of the Group. Mr. Chu joined the Group in 1996 and he was assigned to Vietnam in 2002 to supervise the Group's production there. He is also responsible for overseeing the manufacturing plants in Indonesia which were acquired by the Group in early 2012. Prior to joining the Group, he served in various footwear companies such as 東立產業股份有限公司 (Tong Li Realty Ltd.). Mr. Chu has over 22 years of experience in the footwear industry. He holds a Bachelor of Commerce degree from the Feng Chia University, Taiwan. He is also a director of certain subsidiaries of the Company which are engaged in manufacturing business.

Mr. YANG Chen-Ning, aged 51, is the General Manager of Fashion Footwear Business Division of the Group. Mr. Yang joined the Group in 1986. He has over 30 years of experience in the footwear industry. He is also a director of certain subsidiaries of the Company which are engaged in manufacturing business. Mr. Yang is the cousin of Mr. Chen Li-Ming, Lawrence, an executive Director.

Mr. CHANG Chen-Ou, aged 59, is the General Manager of Sports Fashion Footwear Business Division of the Group. Mr. Chang joined the Group in 1994. Mr. Chang has over 29 years of experience in the footwear industry. He holds a Certificate of International Trade from the Tansui Institute of Industrial and Business Administration (currently known as the Aletheia University), Taiwan. He is also a director of certain subsidiaries of the Company which are engaged in manufacturing business.

Corporate Division

Mr. LEE Kwok Ming, aged 58, is the Chief Financial Officer of the Group. He joined the Group in June 2006 and is responsible for the overall financial function of the Group. Prior to joining the Group, Mr. Lee assumed the position of chief financial officer in a number of listed companies in Hong Kong. Mr. Lee holds a Higher Diploma in Accountancy from the Hong Kong Polytechnic and a Master of Science degree in Business Administration from the University of Bath, United Kingdom. Mr. Lee is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Chartered Institute of Management Accountants. He is also a director of certain subsidiaries of the Company which are engaged in design and marketing activities and retail business.

Mr. CHIU Xian Hsiung, Sean, aged 47, is the Operation Director of the Group. Mr. Chiu joined the Group in 2014 and is responsible for the Group's overall operational sustainability improvements. Prior to joining the Group, he worked with Pou Chen Group and also possessed mentoring experience in various footwear and garment companies. He has expertise in industrial engineering improvement, lean system, rationalisation and e-business. He holds a Doctor of Science degree from the National Taiwan University, Taiwan.

directors' report

Endeavouring to maintain Effective Communication with Shareholders

The board (the "Board") of directors (the "Directors") of Stella International Holdings Limited (the "Company") is pleased to present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the Group are development, manufacturing, sales and retailing of footwear products. Particulars of the principal activities of the Company's major subsidiaries are set out in note 37 to the consolidated financial statements of the Group for the year ended 31 December 2015.

BUSINESS REVIEW

For details of business review in relation to the development, performance or position of the Company's business, please refer to the sections headed "Management Discussion and Analysis" and "Corporate Social Responsibility Report" of this annual report.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 95.

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 proposals are 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.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2015 are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in share capital of the Company during the year ended 31 December 2015 are set out in note 29 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results of the Group for the last five financial years and its consolidated assets and liabilities as at the end of the last five financial years is set out on page 162.

BANK BORROWINGS

Details of bank borrowings for the year ended 31 December 2015 are set out in note 28 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company during the year ended 31 December 2015 are set out in the consolidated statement of changes in equity of the Group and note 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to Shareholders as at 31 December 2015 were US$293.7 million (2014: US$283.5 million).

DIRECTORS

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

Executive Directors:
Mr. Chiang Jeh-Chung, Jack
Mr. Chao Ming-Cheng, Eric
Mr. Chen Li-Ming, Lawrence
Mr. Chi Lo-Jen

Independent Non-executive Directors:
Mr. Chen Johnny
Mr. Bolliger Peter
Mr. Chan Fu Keung, William, *BBS*
Mr. Yue Chao-Tang, Thomas

In accordance with article 87(1) of the Company's articles of association, Mr. Chiang Jeh-Chung, Jack, Mr. Chi Lo-Jen and Mr. Chen Johnny will retire by rotation at the forthcoming AGM of the Company and, being eligible, offer themselves for re-election.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM of the Company has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

The service agreements entered into by the Company with each of the executive Directors, which are currently in force and were in force during the year ended 31 December 2015, contain indemnity provisions which are permitted indemnity provisions under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) subject to the limitations specified in sections 468 and 469 thereof, for the benefit of the executive Directors. Pursuant to such provisions, the Company shall indemnify any executive Director against any liability, loss suffered and expenses incurred by the executive Director in connection with any legal proceedings in which he is involved by reason of being a Director, and in which the judgment is given in his favour or in which he is acquitted. The Company has also taken out and maintained appropriate insurance cover to indemnify the Directors for liabilities that may arise out of corporate activities. The insurance coverage is reviewed on an annual basis. During the year ended 31 December 2015, no claims were made against the Directors.

CONTRACTS OF SIGNIFICANCE AND RELATED PARTY TRANSACTIONS

None of the Directors had, at any time during or at the end of the year under review, whether directly or indirectly, a material interest in any contract of significance in relation to the Group's business to which the Company or any of its subsidiary was a party.

No contract of significance had been entered into between the Company or any of its subsidiaries, and the controlling shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules")) of the Company or any of its subsidiaries.

None of the related party transactions disclosed in note 30(I) to the consolidated financial statements is a connected transaction or continuing connected transaction of the Company as defined in Chapter 14A of the Listing Rules.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group (other than contracts of service with any Director or any person engaged in full time employment of the Group) were entered into or existed during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DISCLOSURE OF INTERESTS

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

As at 31 December 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Cap.571 of the Laws of Hong Kong), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or was required to be recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 to the Listing Rules were as follows:

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

		Number of Shares				
Director	Capacity/ Nature of Interest	Personal Interest	Corporate Interest	Number of Underlying Shares	Total	Approximate Percentage of Shareholding
Bolliger Peter	Beneficial owner	150,000	–	–	150,000	0.02%
Chao Ming-Cheng, Eric	Beneficial owner and interest of controlled corporation	238,500	26,205,289 *(Note 1)*	–	26,443,789	3.33%
Chen Li-Ming, Lawrence	Beneficial owner and interest of controlled corporation	150,000	21,921,870 *(Note 2)*	–	22,071,870	2.78%
Chi Lo-Jen	Beneficial owner	283,500	–	1,500,000 *(Note 3)*	1,783,500	0.22%
Chiang Jeh-Chung, Jack	Beneficial owner and interest of controlled corporation	331,500	28,551,674 *(Note 4)*	–	28,883,174	3.64%

Notes:

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

2. These interests were held by a company, the entire issued share capital of which was held by Mr. Chen Li-Ming, Lawrence. Mr. Chen Li-Ming, Lawrence was deemed to be interested in the shares of the Company in which that company was interested by virtue of the SFO.

3. These interests represented the put option granted by Mr. Chi Lo-Jen, exercisable for the period commencing from 1 May 2011 to 30 April 2016, under which Mr. Chi Lo-Jen may be required to acquire up to an aggregate of 1,500,000 shares of the Company.

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

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or its associated corporation which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or was required to be recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2015, the interests and short positions of the then shareholders of the Company (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO were as follows:–

Long position in the shares of the Company:

Name	Capacity/ Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Cordwalner Bonaventure Inc.	Beneficial owner	246,412,214	31.02%
The Capital Group Companies, Inc.	Interest of corporation controlled by the substantial shareholder	71,068,500	8.95%
Capital Research and Management Company	Investment manager	47,261,000	5.95%

Save as disclosed above, as at 31 December 2015, no person (other than a Director or chief executive of the Company whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above), had an interest or short position in the shares or underlying shares of the Company that were required to be recorded in the register required to be kept by the Company under section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Division 2 and 3 of Part XV of the SFO.

REMUNERATION POLICY

The Group cultivates a caring culture among the employees and believes that human resources are significant assets to the Group's development and expansion. The Group seeks to build the management team internally through effective training and development programs. The Group adopts a remuneration system based on employees' individual performance, skill and knowledge, together with reference to the Group's operating results and comparable market benchmarks.

The emoluments of the Directors are first reviewed by the remuneration committee of the Board and then approved by the Board, having regard to the Director's skill, knowledge, involvement in the Company's affairs and the performance of each Director, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions.

LONG TERM INCENTIVE SCHEME

A long term incentive scheme (the "Scheme") was conditionally approved by a written resolution of the Shareholders passed on 15 June 2007 and was adopted by a resolution of the Board on 15 June 2007 and as amended by a resolution of the duly authorised committee of the Board on 18 June 2007 and further amended by a resolution of the Shareholders passed on 6 May 2011. The terms of the Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules, where appropriate.

The purpose of the Scheme is to attract and retain the best available personnel, to provide additional incentive to employees, directors, shareholders of any member of the Group or any holder of any securities issued by any member of the Group, and to reward any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group who are potential contributors to the success, development and/or growth of the Group.

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

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

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

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

The total number of Shares available for issue or transfer in satisfaction of all Awards which may be granted under the Scheme and any other schemes of the Company must not, in aggregate, exceed 78,000,000 Shares, representing 10% of the Shares in issue as at the effective date of the Scheme and 9.8% of the Shares in issue as at the date of this annual report, subject to an annual cap, renewable by Shareholders in general meeting, of no more than 5% of the total issued share capital of the Company as at the beginning of each such financial year that may be issued by the Company to satisfy Restricted Share Awards or Restricted Unit Awards (the "Mandate Limit"). The Mandate Limit is also subject to the Overriding Limit and the refreshing of the Mandate Limit (as described below) and granting of Awards beyond the Mandate Limit (as described below).

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

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

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

During the year under review, no Options were granted, exercised or cancelled under the Scheme and there were no outstanding Options under the Scheme as at 31 December 2015.

Pursuant to the terms of the Scheme, the Company has entered into an engagement agreement (the "Engagement Agreement") and a deed of settlement (the "Deed") dated 2 June 2008 and 27 August 2008 respectively with a trustee (the "Trustee") for the administration by the Trustee of the awards of Restricted Unit Awards under the Scheme.

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

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

On 15 July 2011, Restricted Unit Awards for awards of a total of 27,500 Shares were granted to one eligible employee.

On 5 July 2013, the Company cancelled the unvested Restricted Unit Awards for awards of a total of 22,500 Shares which were granted to an employee on 15 July 2011 and such awards were replaced by granting another cash bonus award to that employee on the terms and conditions of a termination agreement entered into between the Company and that employee on 5 July 2013. Subsequent to the cancellation of the unvested Restricted Unit Awards as mentioned above, the Company terminated the Engagement Agreement and the Deed with the Trustee, both with effect from 15 July 2013.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable contributions amounted to approximately US$142,000.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate revenue attributable to the Group's largest customer and five largest customers accounted for approximately 22.8% and 66.3% of the Group's total revenue for the year ended 31 December 2015 respectively.

The aggregate purchase attributable to the Group's five largest suppliers accounted for less than 30% of the Group's total purchases for the year ended 31 December 2015.

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

SUFFICIENCY OF PUBLIC FLOAT

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

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

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

AUDITOR

A resolution will be proposed to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company for the year ending 31 December 2016.

On behalf of the Board

Chiang Jeh-Chung, Jack
Chairman

23 March 2016

Deloitte.
德勤

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

We have audited the consolidated financial statements of Stella International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 95 to 161, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23 March 2016

consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2015

	Notes	2015 US$'000	2014 US$'000
Revenue	7	1,769,852	1,663,091
Cost of sales		(1,398,222)	(1,314,333)
Gross profit		371,630	348,758
Other income	8	17,670	12,265
Other gains and losses	9	(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)
Profit before tax		128,745	135,811
Income tax expense	10	(8,594)	(15,566)
Profit for the year	11	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$)	14		
– 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	*15*	375,339	356,556
Prepaid lease payments	*16*	18,044	20,201
Interests in associates	*17*	8,141	7,556
Interest in a joint venture	*18*	5,631	–
Deposit paid for acquisition of property, plant and equipment		27,893	9,325
		435,048	393,638
CURRENT ASSETS			
Inventories	*19*	208,482	215,688
Trade and other receivables	*20*	362,295	363,378
Bills receivables	*20*	317	1,833
Loan receivable	*21*	840	–
Prepaid lease payments	*16*	593	624
Amounts due from associates	*22*	37,544	36,840
Amount due from a joint venture	*23*	11,897	–
Held for trading investments	*25*	41,084	42,876
Cash and cash equivalents	*26*	145,126	131,601
		808,178	792,840
CURRENT LIABILITIES			
Trade and other payables	*27*	186,169	176,626
Bank borrowings – due within one year	*28*	15,140	–
Tax liabilities		53,626	56,775
Derivative financial instruments	*24*	788	368
		255,723	233,769
NET CURRENT ASSETS		552,455	559,071
		987,503	952,709

	Notes	2015 US$'000	2014 US$'000
CAPITAL AND RESERVES			
Share capital	29	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	28	3,211	–
		987,503	952,709

The consolidated financial statements on pages 95 to 161 were approved and authorised for issue by the board of directors on 23 March 2016 and are signed on its behalf by:

Chen Li-Ming, Lawrence	Chi Lo-Jen
DIRECTOR	*DIRECTOR*

consolidated statement 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 *(note 13)*	–	–	–	–	–	–	–	–	(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 *(note 34)*	–	–	–	–	2	–	–	–	–	2	(833)	(831)
Dividend recognised as distribution *(note 13)*	–	–	–	–	–	–	–	–	(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

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 US$'000	2014 US$'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
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)

	2015 US$'000	2014 US$'000
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

1. GENERAL

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

The Company acts as an investment holding company. Particulars of the principal activities of its principal subsidiaries, associates and a joint venture are set out in notes 37, 17 and 18, respectively.

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

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

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.

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

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[2]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[1]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	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 annual periods beginning on or after 1 January 2018.*
[3] *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.

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

HKFRS 9 Financial instruments *(continued)*

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.

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

3. 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 of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provisions of the new CO regarding preparation of accounts and directors' reports and audits and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Basis of consolidation *(continued)*

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investment(s) in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and a joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and a joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment(s) in associates and a joint venture *(continued)*

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Revenue recognition

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

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. USD) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

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

Borrowing costs

All borrowing costs for non-qualifying assets are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes in The People's Republic of China ("PRC") and the Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance and the Labour Standards Law (as amendment) in Taiwan are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payment transactions

Awarded shares granted to directors and employees

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

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

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

Taxation

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Taxation *(continued)*

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance lease) held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment on assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior year. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified as either held for trading investments or loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

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

Held for trading investments

A financial asset is classified as held for trading if:

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

Held for trading investments are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 6c.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade, bills and other receivables, loan receivable, amounts due from associates, amount due from a joint venture and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

Financial assets, other than held for trading investments, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as a default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss ("FVTPL") or other financial liabilities.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading. A financial liability is classified as held for trading if it is derivative that is not designated and effective as hedging instruments.

Financial liabilities at FVTPL are stated at fair value, with any gain or loss arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 6.

Other financial liabilities

Other financial liabilities including bank borrowings and trade and other payables are subsequently measured at amortised cost using, the effective interest method.

Effective interest method

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

Derivative financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimated impairment of trade receivables

The policy for allowance for bad or doubtful debts of the Group is based on the evaluation of collectability of amount based on management's estimate. In determining whether impairment is required, the Group takes into consideration the likelihood of collection of debts on an individual basis as well as on a collective basis, including the Group's past experience of collecting payments. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated cash flow expected to receive discounted using the original interest rate and the carrying value. As at 31 December 2015, the carrying amount of trade receivables is approximately US$238,680,000 (31 December 2014: US$250,614,000). The allowance for doubtful debts is approximately US$1,500,000 (31 December 2014: US$2,636,000).

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

Estimated impairment of amounts due from associates and amount due from a joint venture

Management regularly reviews the recoverability of the amounts due from associates and amount due from a joint venture. Appropriate impairment for estimated irrecoverable amount will be recognised in profit and loss when there is objective evidence that the amount is not recoverable, if necessary.

In determining whether allowance for bad and doubtful debts is required, the Group takes into consideration the aged status and likelihood of collection. Specific allowance is only made for the amounts due from associates and amount due from a joint venture that are unlikely to be collected and is recognised on the difference between the carrying amounts of amounts due from associates and amount due from a joint venture and the present value of estimated future cash flow discounted using the original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amounts of amounts due from associates and amount due from a joint venture amounted to approximately US$37,544,000 (2014: US$36,840,000) and US$11,897,000 (2014: Nil) respectively.

Allowance for inventories

The management of the Group reviews the aging of the inventories at the end of the reporting period, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production nor saleable in the market. The management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of each reporting period and makes allowance for obsolete items. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2015, the carrying amount of inventories was approximately US$208,482,000 net of allowance for inventories of US$19,546,000 (31 December 2014: US$215,688,000 net of allowance for inventories of US$18,829,000).

5. CAPITAL RISK MANAGEMENT

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

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

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

6. FINANCIAL INSTRUMENTS

6a. Categories of financial instruments

	2015 US$'000	2014 US$'000
Financial assets		
Held for trading investments	41,084	42,876
Loans and receivables (including cash and cash equivalents)	475,095	481,242
	516,179	524,118
Financial liabilities		
Amortised cost	132,657	120,303
Derivative financial instruments	788	368

6b. Financial risk management objectives and policies

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

Market risk

Currency risk

The Group's sales are mainly denominated in USD. Its manufacturing operations are mainly located in the PRC and purchase of raw materials and operating expenses are denominated in Renminbi ("RMB"), EURO ("EUR"), Macau Pataca ("MOP"), Indonesian Rupiah ("IDR") or USD. Its currency exposures is mainly due to exposure in RMB, EUR, MOP, IDR and Hong Kong dollars ("HKD") against the functional currency of the relevant group companies. In addition, the Group's held for trading investments include listed bonds and funds of US$16,696,000 (2014: US$18,279,000) which are denominated in RMB. During both years, the Group entered into certain foreign currency forward and option contracts to manage the currency exposure in relation to RMB.

6. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

Currency risk (continued)

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

	Liabilities		Assets	
	2015	2014	**2015**	2014
	US$'000	US$'000	**US$'000**	US$'000
RMB	**15,783**	38,478	**73,180**	61,067
HKD	**–**	3	**88**	134
EUR	**1,257**	1,742	**2,617**	2,932
MOP	**8,405**	747	**14,172**	17,891
IDR	**1,948**	2,077	**3,533**	4,596
Other	**3,398**	113	**2,442**	2,551

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

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

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

Sensitivity analysis

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

6. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

Currency risk (continued)

Sensitivity analysis *(continued)*

	RMB Impact		EUR Impact		MOP Impact		IDR Impact	
	2015 US$'000	2014 US$'000	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000	**2015 US$'000**	2014 US$'000
Profit for the year	**(2,152)**	(847)	**(46)**	(40)	**(254)**	(754)	**(59)**	(94)
Other comprehensive income	**4,004**	2,024	**3**	(1)	**(4)**	16	**122**	40

Interest rate risk

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

The Group is also exposed to cash flow interest rate risk in relation to a variable-rate bank borrowing.

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates in its variable-rate bank deposits, fixed-rate loan receivable, fixed-rate borrowing and variable-rate borrowing at the end of the reporting period. The analysis is prepared assuming the amounts outstanding at the end of the reporting period were outstanding for the whole year. A 25 basis point increase or 5 basis points decrease (2014: 25 increase or 5 decrease) is used by the management for the assessment of the possible change in interest rates.

If interest rates had been 25/5 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would increase by approximately US$218,000/decrease by approximately US$44,000 (2014: increase by approximately US$244,000/decrease by approximately US$49,000).

Price risk

The Group is exposed to price risk through its held for trading investments which are measured at fair value at the end of each reporting period. The held for trading investments represent listed bonds and funds carrying fixed interest rates with their market value generally linked to market interest rate. The management manages this exposure by maintaining a portfolio of investments with different risks.

6. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk *(continued)*

Price risk (continued)

Sensitivity analysis

If the market price for the bonds in held-for-trading investments had been 5% higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would increase/decrease by approximately US$1,472,000 (2014: US$1,534,000).

If the market price for the funds in held-for-trading investment had been 5% higher/lower, profit for the year ended 31 December 2015 would increase/decrease by US$69,000 (2014: US$74,000).

The Group's sensitivity to held-for-trading investments has not changed significantly from the prior year.

Credit risk

At 31 December 2015 and 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

The Group's concentration of credit risk related to trade receivables by geographical locations is mainly in North America, which accounted for 70% (31 December 2014: 62%) of the total trade receivables as at 31 December 2015.

Regarding the Group's bank concentration credit risk, 89% (31 December 2014: 79%) of deposits are placed with 10 banks (31 December 2014: 10 banks).

The Group has concentration of credit risk on the amount due from an associate but the credit risk is limited because the associate has sufficient assets to cover the liabilities and good settlement record in the past.

6. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensure compliance with loan covenants.

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

	0 – 30 days or on demand US$'000	31 – 90 days US$'000	90 – 365 days US$'000	1 – 5 years US$'000	> 5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount US$'000
As at 31 December 2015							
Non-derivative financial liabilities							
Trade and other payables	92,981	7,050	2,160	12,115	–	114,306	114,306
Bank borrowings	15,012	35	94	588	2,622	18,351	18,351
	107,993	7,085	2,254	12,703	2,622	132,657	132,657
Derivatives – net settlement							
Foreign currency option contract	788	–	–	–	–	788	788

	0 – 30 days or on demand US$'000	31 – 90 days US$'000	90 – 365 days US$'000	1 – 5 years US$'000	> 5 years US$'000	Total undiscounted cash flows US$'000	Carrying amount US$'000
As at 31 December 2014							
Non-derivative financial liabilities							
Trade and other payables	79,017	36,700	4,586	–	–	120,303	120,303
Derivatives – net settlement							
Foreign currency forward contract	20	–	–	–	–	20	20
Foreign currency option contracts	348	–	–	–	–	348	348
	368	–	–	–	–	368	368

6. FINANCIAL INSTRUMENTS *(continued)*

6c. Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at 31 December 2015	Fair value as at 31 December 2014	Fair value hierarchy	Valuation technique(s) and key input(s)
	US$'000	US$'000		
Held-for-trading non-derivative financial assets classified as held for trading investments in the statement of financial position	Listed bonds in Hong Kong – 14,110 Listed bonds and funds in elsewhere – 26,974	Listed bonds in Hong Kong – 22,719 Listed bonds and funds in elsewhere – 20,157	Level 1	Quoted bid prices in an active market
Foreign currency option contracts classified as derivative financial instruments in the statement of financial position	Liabilities – 788	Liabilities – 348	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchanges rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties
Foreign currency forward contracts classified as derivative financial instruments in the statement of financial position	Liabilities – Nil	Liabilities – 20	Level 2	Discounted cash flow Future cash flows are estimated based on forward exchanges rates (from observable forward exchanges rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties

There were no transfers between Level 1 and 2 in the period.

6. FINANCIAL INSTRUMENTS *(continued)*

6c. Fair value measurements of financial instruments *(continued)*

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Fair value hierarchy

	2015		
	Level 1 US$'000	Level 2 US$'000	Total US$'000
Financial assets			
Investments held for trading			
– Listed bonds and funds	41,084	–	41,084
Total	41,084	–	41,084
Financial liabilities			
Derivative financial instruments	–	(788)	(788)
Total	–	(788)	(788)

	2014		
	Level 1 US$'000	Level 2 US$'000	Total US$'000
Financial assets			
Investments held for trading			
– Listed bonds and funds	42,876	–	42,876
Total	42,876	–	42,876
Financial liabilities			
Derivative financial instruments	–	(368)	(368)
Total	–	(368)	(368)

7. 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

7. SEGMENT INFORMATION *(continued)*

(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

7. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

Segment revenues and results *(continued)*

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

7. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

Segment revenues and results *(continued)*

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents 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 US$'000	2014 US$'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 US$'000	2014 US$'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

7. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

Segment assets and liabilities *(continued)*

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

- all assets are allocated to reportable segments other than 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

7. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

Other segment information *(continued)*

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

7. SEGMENT INFORMATION *(continued)*

(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 US$'000	2014 US$'000	2015 US$'000	2014 US$'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 US$'000	2014 US$'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*

8. OTHER INCOME

	2015 US$'000	2014 US$'000
Interest income on bank balances	786	1,311
Interest income from held for trading investments	2,306	2,208
Rental income	1,325	1,265
Sales of scrap	1,179	1,557
Government subsidies	6,105	–
Others	5,969	5,924
	17,670	12,265

9. OTHER GAINS AND LOSSES

	2015 US$'000	2014 US$'000
Loss on disposal of property, plant and equipment	(2,762)	(3,392)
Net exchange gain (loss)	834	(472)
Net loss from changes in fair value of held for trading investments	(816)	(427)
Net gain (loss) on changes in fair value of derivative financial instruments	425	(463)
	(2,319)	(4,754)

10. INCOME TAX EXPENSE

	2015 US$'000	2014 US$'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.

10. INCOME TAX EXPENSE *(continued)*

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 US$'000	2014 US$'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

11. PROFIT FOR THE YEAR

	2015 US$'000	2014 US$'000
Profit for the year has been arrived at after charging:		
Directors' emoluments *(note 12)*	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

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and the chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Companies Ordinance is as follows:

For the year ended 31 December 2015

A) Executive directors

	Jeh-Chung, Jack CHIANG US$'000	Ming-Cheng, Eric CHAO US$'000	Li-Ming, Lawrence CHEN US$'000	Lo-Jen, CHI US$'000	Total 2015 US$'000
Fees	39	39	39	39	156
Other emoluments					
– salaries and other allowances	77	70	62	62	271
– bonus *(Note)*	500	400	400	500	1,800
– retirement benefit scheme contributions	1	–	1	–	2
Sub-total	617	509	502	601	2,229

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

B) Independent non-executive directors

	Johnny CHEN US$'000	Peter BOLLIGER US$'000	Fu Keung William CHAN US$'000	Chao-Tang Thomas YUE US$'000	Total 2015 US$'000
Fees	52	52	52	52	208
Other emoluments					
– salaries and other allowances	–	–	–	–	–
– bonus *(Note)*	–	–	–	–	–
– retirement benefit scheme contributions	–	–	–	–	–
Sub-total	52	52	52	52	208
					2,437

The independent directors' emoluments shown above were mainly for their services as directors of the Company.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(continued)*

For the year ended 31 December 2014

A) Executive directors

	Jeh-Chung, Jack CHIANG US$'000	Ming-Cheng, Eric CHAO US$'000	Li-Ming, Lawrence CHEN US$'000	Lo-Jen, CHI US$'000	Total 2014 US$'000
Fees	39	39	39	39	156
Other emoluments					
– salaries and other allowances	77	70	62	62	271
– bonus *(Note)*	500	400	400	500	1,800
– retirement benefit scheme contributions	1	–	1	–	2
Sub-total	617	509	502	601	2,229

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

B) Independent non-executive directors

	Johnny CHEN US$'000	Peter BOLLIGER US$'000	Fu Keung William CHAN US$'000	Chao-Tang Thomas YUE US$'000	Total 2014 US$'000
Fees	52	52	52	52	208
Other emoluments					
– salaries and other allowances	–	–	–	–	–
– bonus *(Note)*	–	–	–	–	–
– retirement benefit scheme contributions	–	–	–	–	–
Sub-total	52	52	52	52	208
					2,437

The independent directors' emoluments shown above were mainly for their services as directors of the Company.

Note: The performance related incentive payment is determined with reference to the financial performance of the Group and are first reviewed by the remuneration committee of the Board and then approved by the Board for the two years ended 31 December 2015 and 31 December 2014.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(continued)*

Mr. Li-Ming, Lawrence CHEN is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive of the Company.

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

Employees

The five highest paid employees in the Group during the year included four (2014: four) directors, details of whose emoluments are set out above. Details of the remuneration for the year of the remaining one (2014: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2015 US$'000	2014 US$'000
Salaries, allowances and benefits in kind	115	115
Performance related bonus	170	160
Retirement benefits	1	1
	286	276

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

13. DIVIDENDS

	2015 US$'000	2014 US$'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.

14. 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 US$'000	2014 US$'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 (see note 32).

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land US$'000	Buildings US$'000	Plant and machinery US$'000	Furniture, fixture and equipment US$'000	Motor vehicles US$'000	Construction in progress US$'000	Total US$'000
COST							
As at 1 January 2014	–	184,982	215,136	30,814	10,001	78,926	519,859
Exchange adjustments	–	(2,221)	(2,473)	(417)	(136)	(997)	(6,244)
Additions	–	22,320	18,759	7,633	626	40,584	89,922
Transfer	–	43,438	2,830	2,723	–	(48,991)	–
Disposals	–	(2,946)	(5,850)	(418)	(583)	(1,364)	(11,161)
As at 31 December 2014	–	245,573	228,402	40,335	9,908	68,158	592,376
Exchange adjustments	–	(2,236)	(2,576)	(1,434)	(278)	(1,003)	(7,527)
Additions	3,373	9,515	16,965	21,664	733	13,709	65,959
Transfer	–	39,541	375	2,491	534	(42,941)	–
Disposals	–	(1,450)	(5,885)	(515)	(295)	(249)	(8,394)
As at 31 December 2015	3,373	290,943	237,281	62,541	10,602	37,674	632,414
DEPRECIATION							
As at 1 January 2014	–	50,818	126,239	23,313	6,485	–	206,855
Exchange adjustments	–	(946)	(1,771)	(364)	(105)	–	(3,186)
Provided for the year	–	11,283	20,705	6,134	1,516	–	39,638
Eliminated on disposals	–	(2,519)	(4,299)	(239)	(430)	–	(7,487)
As at 31 December 2014	–	58,636	140,874	28,844	7,466	–	235,820
Exchange adjustments	–	(1,108)	(1,096)	(1,024)	(183)	–	(3,411)
Provided for the year	–	13,604	11,791	13,764	1,139	–	40,298
Eliminated on disposals	–	(463)	(4,646)	(273)	(250)	–	(5,632)
As at 31 December 2015	–	70,669	146,923	41,311	8,172	–	257,075
CARRYING VALUES							
As at 31 December 2015	3,373	220,274	90,358	21,230	2,430	37,674	375,339
As at 31 December 2014	–	186,937	87,528	11,491	2,442	68,158	356,556

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

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

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

The Group's freehold land is situated in Taiwan.

The Group has not yet obtained the legal title of the building with an aggregate carrying amount of US$7,254,000 (2014: US$7,268,000).

The Group has pledged freehold land and buildings with net book values of approximately US$3,373,000 (2014: Nil) and US$2,171,000 (2014: Nil), respectively to secure a bank loan granted to the Group.

16. PREPAID LEASE PAYMENTS

	2015 US$'000	2014 US$'000
Current portion of prepaid lease payments	593	624
Non-current portion	18,044	20,201
	18,637	20,825

During the year, no additional prepaid lease payment (2014: US$2,540,000) was acquired by the Group for business operation.

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

The Group had fully paid consideration for land use rights in the PRC. However, the Group has not yet obtained the title of the land use rights with an aggregate carrying amount of US$2,823,000 (2014: US$2,913,000). The Group is in the process of obtaining the land use rights certificates.

17. INTERESTS IN ASSOCIATES

	2015 US$'000	2014 US$'000
Cost of investments in associates – unlisted	26,200	26,200
Share of post-acquisition losses and other comprehensive income, net of dividend received	(14,031)	(14,616)
Impairment of an associate	(4,028)	(4,028)
	8,141	7,556

As at 31 December 2015 and 2014, the Group had interests in the following associates:

Name of entity	Form of business structure	Country of incorporation/ registration	Place of establishment/ principal place of operation	Class of share held	Proportion of nominal value of registered capital/ issued capital held by the Group		Proportion of voting rights held by the Group		Principal activities
					2015	2014	2015	2014	
辛集市寶得福皮業有限公司 Xinji Baodefu Leather Co. Ltd. ("Baodefu") *(Note)*	Sino-foreign co-operation joint venture	The PRC	The PRC	Capital injection	60%	60%	40%	40%	Manufacturing and sales of leather products and footwear
Couture Accessories Limited ("Couture Accessories")	Limited company	Hong Kong	Hong Kong	Ordinary	40%	40%	40%	40%	Footwear wholesaling

Note: The Group holds 60% of the registered capital of Baodefu. However, under a shareholders' agreement, the other shareholder controls the composition of the board of directors and therefore the Group does not control Baodefu. The directors of the Company consider that the Group does exercise significant influence over Baodefu and, therefore it is classified as an associate of the Group.

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

17. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of material associates *(continued)*

Baodefu

	2015 US$'000	2014 US$'000
Current assets	36,460	43,612
Non-current assets	7,363	15,929
Current liabilities	31,443	47,759
Non-current liabilities	–	–

	2015 US$'000	2014 US$'000
Revenue	120,961	144,305
(Loss) profit for the year	(65)	111
Other comprehensive income for the year	663	167
Total comprehensive income for the year	598	278

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2015 US$'000	2014 US$'000
Net assets of Baodefu	12,380	11,782
Proportion of the Group's ownership interest in Baodefu	60%	60%
Carrying amount of the Group's interest in Baodefu	7,428	7,069

17. INTERESTS IN ASSOCIATES *(continued)*

Summarised financial information of material associates *(continued)*

Couture Accessories

	2015 US$'000	2014 US$'000
Current assets	2,951	2,510
Non-current assets	–	6
Current liabilities	1,168	1,298
Non-current liabilities	–	–

	2015 US$'000	2014 US$'000
Revenue	2,541	2,841
Profit for the year	713	710
Other comprehensive (expense) income for the year	(149)	169
Total comprehensive income for the year	564	879

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2015 US$'000	2014 US$'000
Net assets of Couture Accessories	1,783	1,218
Proportion of the Group's ownership interest in Couture Accessories	40%	40%
Carrying amount of the Group's interest in Couture Accessories	713	487

18. INTEREST IN A JOINT VENTURE

On 9 August 2015, the Group acquired a 49% equity interest in Bay Footwear Limited ("Bay Footwear"), at a cash consideration of Bangladeshi Taka 433,076,000 (equivalent to approximately US$5,547,000). Pursuant to the relevant shareholder agreement, the Group is able to exercise joint control with counterparty over Bay Footwear in the financial and operating policy. Accordingly, Bay Footwear is regarded as a joint venture of the Group.

Details of the Group's interest in a joint venture are as follows:

	2015 US$'000
Cost of investment in a joint venture – unlisted	5,547
Share of post-acquisition profits and other comprehensive expense	84
	5,631

Details of the Group's joint venture at the end of the reporting period are as follow:

Name of entity	Form of business structure	Country of incorporation/ registration	Place of establishment/ principal place of operation	Class of share held	Proportion of nominal value of registered capital/issued capital held by the Group		Proportion of voting rights held by the Group		Principal activities
					2015	2014	2015	2014	
					Direct %	Direct %	Direct %	Direct %	
Bay Footwear	Limited company	Bangladesh	Bangladesh	Ordinary	49%	–	50%	–	Manufacturing of footwear

Summarised financial information of a material joint venture

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in these consolidated financial statements.

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

Bay Footwear

	2015 US$'000
Current assets	21,918
Non-current assets	24,611
Current liabilities	35,037
Non-current liabilities	–

	9.8.2015 to 31.12.2015 US$'000
Revenue for the period	16,370
Profit for the period	185
Other comprehensive expense for the period	(13)
Total comprehensive income for the period	172

Reconciliation of the above summarised financial information to the carrying amount of the interest in a joint venture recognised in the consolidated financial statements:

	2015 US$'000
Net assets of Bay Footwear	11,492
Proportion of the Group's ownership interest in Bay Footwear	49%
Carrying amount of the Group's interest in Bay Footwear	5,631

19. INVENTORIES

	2015 US$'000	2014 US$'000
Raw materials	54,131	63,022
Work-in-progress	71,512	77,146
Finished goods	82,839	75,520
	208,482	215,688

20. 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 US$'000	2014 US$'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.

20. TRADE, BILLS AND OTHER RECEIVABLES *(continued)*

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

21. LOAN RECEIVABLE

	2015 US$'000	2014 US$'000
Fixed-rate loan receivable	840	–

The Group has a loan receivable denominated in European dollars amounting to US$840,000, which carries fixed interest rate at 4.9% per annum, and is repayable within one year.

22. AMOUNTS DUE FROM ASSOCIATES

	As at 31 December		Maximum amount outstanding for year ended 31 December	
Name of company	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Baodefu	36,863	36,732	36,863	62,604
Couture Accessories	681	108	1,670	250
	37,544	36,840		

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

23. AMOUNT DUE FROM A JOINT VENTURE

	As at 31 December		Maximum amount outstanding for year ended 31 December	
Name of company	2015 US$'000	2014 US$'000	2015 US$'000	2014 US$'000
Bay Footwear	11,897	–	11,897	–

The amount due from a joint venture is trading balances, representing prepayments to a joint venture for purchase of goods. The amounts are unsecured and interest-free.

24. DERIVATIVE FINANCIAL INSTRUMENTS

	Liabilities	
	2015 US$'000	2014 US$'000
Foreign currency forward contract	–	20
Foreign currency option contracts	788	348
	788	368

As at 31 December 2015 and 2014, the Group was a party to various foreign currency forward contracts which were entered into to minimise the Group's exchange rate exposures. Those contracts were settled on net basis.

As at 31 December 2015 and 2014, the major terms of outstanding forward currency option contracts are as follows:

31 December 2015

Notional amount	Maturity	Exchange rate
USD16,000,000	8 August 2016	USD1: RMB6.33

31 December 2014

Notional amount	Maturity	Exchange rate
USD4,000,000	28 January 2015	USD1: RMB6.1
USD48,000,000	11 December 2015	USD1: RMB6.33

As at 31 December 2014, the outstanding forward exchange contract is as follows:

Notional amount	Maturity	Exchange rate
Sell USD1,000,000	9 January 2015	USD1: RMB6.1112

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

25. HELD FOR TRADING INVESTMENTS

	2015 US$'000	2014 US$'000
Bonds:		
– listed in Hong Kong	14,110	22,719
– listed overseas	25,134	18,195
Investment funds:		
– listed overseas	1,840	1,962
	41,084	42,876

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

The fair values of the above investments were measured with reference to quoted market price provided by the financial institution managing the funds.

Included in the Group's held for trading investments are listed bonds and funds of US$16,696,000 (2014: US$18,279,000) which are denominated in RMB and are exposed to currency risk.

26. CASH AND CASH EQUIVALENTS

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

Bank balances and cash held in the PRC of US$53,286,000 (2014: US$48,113,000) are subject to foreign exchange control.

Cash and cash equivalents of US$47,547,000, US$4,423,000, US$2,443,000, US$19,000, US$1,782,000 and US$1,758,000 (2014: US$38,610,000, US$4,653,000, US$1,691,000, US$15,000, US$3,163,000 and US$921,000) 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.

The bank deposits and balances carry interest rates ranging from 0.25% to 5% (2014: 0.28% to 3.32%) per annum.

27. 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 US$'000	2014 US$'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. The liquidity risk of the Group's trade and other payables are detailed in note 6b.

Included in the Group's trade and other payables balance are creditors with aggregate amount of US$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.

28. BANK BORROWINGS

	2015 US$'000	2014 US$'000
Bank borrowings comprised of:		
Bank loan – secured	3,351	–
Bank loan – unsecured	15,000	–
	18,351	–

28. BANK BORROWINGS *(continued)*

The carrying amounts of the above borrowings are repayable*:

	2015 US$'000	2014 US$'000
Within one year	140	–
Within a period of more than one year but not exceeding two years	143	–
Within a period of more than two years but not exceeding five years	446	–
Within a period of more than five years	2,622	–
	3,351	–
The carrying amount of bank loan that is not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	15,000	–
Less: Amounts shown under current liabilities	(15,140)	–
Amounts shown under non-current liabilities	3,211	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Included in bank borrowings is an unsecured bank loan denominated in United States dollars amounting to US$15,000,000 (2014: Nil) which contains a repayment on demand clause, and is carrying variable interest rate ranging from 0.95% to 1.45% per annum.

Included in bank borrowings is a secured bank loan denominated in New Taiwan dollars amounting to US$3,351,000 (2014: Nil), which is repayable within twenty years and carrying fixed interest rate at 1.85% per annum. It is secured by the Group's freehold land and building with carrying amounts of US$3,373,000 (2014: Nil) and US$2,171,000 (2014: Nil) respectively.

The proceeds were used mainly for general working capital purposes.

29. SHARE CAPITAL

	Number of shares	Nominal value	
		HK$'000	US$'000
Ordinary shares of HK$0.10 each			
Authorised:			
As at 1 January 2014, 31 December 2014 and 31 December 2015	5,000,000,000	500,000	63,975
Issued and fully paid:			
As at 1 January 2014, 31 December 2014 and 31 December 2015	794,379,500	79,438	10,160

30. OPERATING LEASES

The Group as lessor

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

	2015 US$'000	2014 US$'000
Within one year	–	19

As at 31 December 2014, all of the properties held had committed tenants within one year. Leases are negotiated for terms varying from one to five years. Property rental income earned during the year was US$1,325,000 (2014: US$1,265,000)

30. OPERATING LEASES *(continued)*

The Group as lessee

	2015 US$'000	2014 US$'000
Minimum lease payments paid under operating leases:		
during the year:		
– street level stores	1,919	2,945
– other properties	9,194	8,858
	11,113	11,803
Contingent rentals	13,671	17,558
	24,784	29,361

Contingent rentals are calculated with reference to 9% to 27% (2014: 12% to 27%) of the relevant retail shops' turnover.

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

	2015 US$'000	2014 US$'000
Within one year	7,459	8,592
In the second to fifth year inclusive	15,672	13,490
Over five years	3,720	3,626
	26,851	25,708

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

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

31. CAPITAL COMMITMENTS

	2015 US$'000	2014 US$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of property, plant and equipment	15,118	885

32. SHARE-BASED PAYMENT TRANSACTIONS

Long Term Incentive Scheme

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

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

On 19 February 2009, a total of 2,445,500 shares of the Company had been awarded to 85 eligible participants including 6 directors of the Company (at the relevant time) with the remaining being 79 employees of the Group at a consideration of HK$1 per person. Pursuant to the Scheme, the Company appointed a trustee, Teeroy Limited (the "Trustee"), for the purpose of administering the Scheme and holding the awarded shares before they vest.

On 19 March 2010, a total of 1,428,000 shares of the Company were awarded to 125 eligible participants including 6 directors of the Company (at the relevant time) with the remaining being 119 employees of the Group at a consideration of HK$1 per person.

On 15 July 2011, a total of 27,500 shares of the Company were awarded to an employee of the Company at a consideration of HK$1 per person.

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

Long Term Incentive Scheme *(continued)*

During the year ended 31 December 2014, US$14,000 was recognised as an expense in the consolidated statement of profit or loss and other comprehensive income with a corresponding credit to the share award reserve.

Pursuant to the terms of the Scheme, the Company has entered into an engagement agreement (the "Engagement Agreement") and a deed of settlement (the "Deed") dated 2 June 2008 and 27 August 2008 respectively with the Trustee for the administration by the Trustee of the awards of Restricted Unit Awards under the Scheme.

During the year ended 31 December 2014, the Company cancelled the unvested Restricted Unit Awards for awards of a total of 22,500 Shares which were granted to an employee on 15 July 2011 and such awards were replaced by granting another cash bonus award to that employee on the terms and conditions of a termination agreement entered into between the Company and that employee on 5 July 2014. Subsequent to the cancellation of the unvested Restricted Unit Awards as mentioned above, the Company terminated the Engagement Agreement and the Deed with the Trustee, both with effect from 15 July 2014.

During the year ended 31 December 2015 and 2014, no shares of the Company were granted, exercised or cancelled by the Company under the Scheme and there were no outstanding shares of the Company under the Scheme as at 31 December 2015 and 2014.

33. RETIREMENT BENEFIT PLANS

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

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% or HK$1,250 in maximum (per employee per month) of relevant payroll costs to the scheme, which contribution is matched by employees.

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

34. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 9 December 2015, the Group acquired 40% interest in the issued share capital of Couture Accessories Distribution Limited at a consideration of US$831,000. The carrying amounts of Couture Accessories Distribution Limited on the completion date of acquisition was approximately US$2,077,000. The Group recognised a decrease in non-controlling interests of approximately US$833,000 and an increase in equity attributable to the owners of the Company of approximately US$2,000.

35. RELATED PARTY DISCLOSURES

(I) Related party transactions

Name of company	Nature of transactions	2015 US$'000	2014 US$'000
Baodefu[1]	Purchase of footwear products	132,402	150,565
Couture Accessories[1]	Purchase of footwear products	351	1,623
	Sales of footwear products	1,178	1,546
Bay Footwear[1]	Purchase of footwear products	40,839	–

Note:

(1) Associates of the Company.

(II) Related party balances

Details of balances with related parties are set out in notes 22 and 23.

(III) Compensation of key management personnel

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

	2015 US$'000	2014 US$'000
Short-term benefits	2,548	2,548
Post-employment benefits	4	4
	2,552	2,552

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

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The statement of financial position of the Company as at 31 December 2015 is as follows:

	Note	2015 US$'000	2014 US$'000
Investments in subsidiaries		530,540	530,527
Amounts due from subsidiaries		319,428	294,373
Bank balances and cash		511	506
Other assets		280	283
Total Assets		850,759	825,689
Total Liabilities		16,409	1,532
Total Assets less Total Liabilities		834,350	824,157
Capital and Reserves			
Share capital		10,160	10,160
Share premium and reserves	*(a)*	824,190	813,997
		834,350	824,157

Note:

(a) Reserves of the Company

	Share capital US$'000	Share premium US$'000	Capital reserve US$'000	Shares held for share award scheme US$'000	Capital redemption reserves US$'000	Share award reserve US$'000	Contribution surplus US$'000	Accumulated profit US$'000	Total US$'000
As at 1 January 2014	10,160	154,503	1,146	(2,722)	190	1,450	530,465	128,495	823,687
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	97,774	97,774
Dividend recognised as distribution	–	–	–	–	–	–	–	(97,304)	(97,304)
As at 31 December 2014	10,160	154,503	1,146	(2,722)	190	1,450	530,465	128,965	824,157
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	97,301	97,301
Dividend recognised as distribution	–	–	–	–	–	–	–	(87,108)	(87,108)
As at 31 December 2015	10,160	154,503	1,146	(2,722)	190	1,450	530,465	139,158	834,350

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the Company's subsidiaries at 31 December 2015 and 2014 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of share held	Issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				2015		2014		2015		2014		
				Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	
Couture Accessories Distribution Limited	Hong Kong	Ordinary	US$4,000,000	–	100	–	60	–	100	–	60	Footwear retailing
P.T. Young Tree Industries	Indonesia	Ordinary	RP38,592,000,000	–	100	–	100	–	100	–	100	Manufacturing of footwear
Stella International Trading (Macao Commercial Offshore) Limited	Macau	Ordinary	MOP200,000	–	100	–	100	–	100	–	100	Sales of footwear
Stella Fashion Group Limited	BVI	Ordinary	US$4	–	100	–	100	–	100	–	100	Investment holding and wholesaling of footwear
Stella Fashion SAS	France	Ordinary	EUR1,000,000	–	60	–	60	–	60	–	60	Footwear retailing
Stella Footwear (Sampaguita) Company Limited (Formerly known as "Stella Footwear (Bataan) Company Limited")	BVI	Capital contribution	US$1	–	100	–	100	–	100	–	100	Manufacturing of footwear
Stella Footwear Inc.	BVI	Ordinary	US$3,947	–	100	–	100	–	100	–	100	Investment holding, manufacturing and sales of footwear
Stella International Limited	Vanuatu	Ordinary	US$1	100	–	100	–	100	–	100	–	Investment holding, manufacturing and sales of footwear
Stella International Marketing Company Limited	Malaysia	Ordinary	US$10,000	100	–	100	–	100	–	100	–	Marketing activities
Stella Luna Sol Limited	Hong Kong	Ordinary	HK$1	–	100	–	100	–	100	–	100	Holding of intellectual property rights
Stellaluna (Thailand) Co., Ltd.	Thailand	Ordinary	Baht20,000,000	–	70.1	–	70.1	–	70.1	–	70.1	Footwear retailing
Stella Services Limited	Hong Kong	Ordinary	HK$300,000	100	–	100	–	100	–	100	–	Provision of secretary and accounting services
郴州興昂鞋業有限公司[1] (Chenzhou Selena Footwear Company Limited)	The PRC	Capital contribution	US$1,000,000	–	100	–	100	–	100	–	100	Manufacturing of footwear
上海高緯飾品貿易有限公司[1] (Couture Accessories Distribution (Shanghai) Limited)	The PRC	Capital contribution	US$4,000,000[2]	–	100	–	60	–	100	–	60	Footwear retailing
東莞興昂鞋業有限公司[1] (Dongguan Stella Footwear Company Limited)	The PRC	Capital contribution	HK$191,810,000	–	100	–	100	–	100	–	100	Manufacturing of footwear
洞口興雄鞋業有限公司[1] (Dongkou Selena Upper Company Limited)	The PRC	Capital contribution	US$10,000,000	–	100	–	100	–	100	–	100	Manufacturing of footwear
廣西容縣興雄鞋面有限公司[1] (Guangxi Rong Yuan Selena Upper Company Limited)	The PRC	Capital contribution	US$3,000,000	–	100	–	100	–	100	–	100	Manufacturing of footwear
懷化興雄鞋業有限公司[1] (Huaihua Selena Footwear Company Limited)	The PRC	Capital contribution	RMB11,124,450[2]	–	100	–	100	–	100	–	100	Manufacturing o footwear
龍川興萊鞋業有限公司[1] (Long Chuan Simona Footwear Company Limited)	The PRC	Capital contribution	HK$220,000,000	–	100	–	100	–	100	–	100	Manufacturing of footwear
隆回興昂鞋業有限公司[1] (Longhui Stella Footwear Company Limited)	The PRC	Capital contribution	US$25,000,000	–	100	–	100	–	100	–	100	Manufacturing of footwear

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Name of subsidiary	Place of incorporation/ establishment/ operation	Class of share held	Issued and fully paid share capital/ registered capital	Proportion ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				2015		2014		2015		2014		
				Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	Direct %	Indirect %	
隆回興隆鞋材有限公司[(1)] (Longhui Stella Footwear Company Limited)	The PRC	Capital contribution	RMB10,000,000	–	100	–	100	–	100	–	100	Manufacturing of footwear
邵陽連泰鞋業有限公司[(1)] (Shaoyang Liantai Footwear Company Limited)	The PRC	Capital contribution	RMB163,8000,000[(2)]	–	100	–	100	–	100	–	100	Manufacturing of footwear
邵陽縣興昂鞋業有限公司 (Shaoyang Yuan Stella Footwear Co., Ltd.)	The PRC	Capital contribution	RMB30,000,000	–	100	–	100	–	100	–	100	Manufacturing of footwear
雙峰興昂鞋業有限公司[(1)] (Shuangfeng Stella Footwear Company Limited)	The PRC	Capital contribution	HK$135,280,000	–	100	–	100	–	100	–	100	Manufacturing of footwear
興記時尚(中國)有限公司 (Stella Fashion (China) Limited)	The PRC	Capital contribution	RMB40,000,000[(2)]	–	100	–	100	–	100	–	100	Footwear retailing
興記時尚貿易(上海)有限公司[(1)] (Stella Fashion Inc.)	The PRC	Capital contribution	US$11,000,000	–	100	–	100	–	100	–	100	Footwear retailing
威縣遠達制鞋有限公司[(1)] (Wei County Yuanta Footwear Company Limited)	The PRC	Capital contribution	US$10,000,000	–	100	–	100	–	100	–	100	Manufacturing of footwear
武宣興萊鞋業有限公司[(1)] (Weixian Simona Footwear Company Limited)	The PRC	Capital contribution	US$1,000,000	–	100	–	100	–	100	–	100	Manufacturing of footwear
興業興萊鞋業有限公司[(1)] (Xingye Simona Footwear Company Limited)	The PRC	Capital contribution	US$4,400,000[(2)]	–	100	–	100	–	100	–	100	Manufacturing of footwear
新化興昂鞋業有限公司[(1)] (Xinhua Selena Footwear Company Limited)	The PRC	Capital contribution	US$2,000,000[(2)]	–	100	–	100	–	100	–	100	Manufacturing of footwear
新寧興雄鞋業有限公司[(1)] (Xinning Selena Footwear Company Limited)	The PRC	Capital contribution	US$1,000,000	–	100	–	100	–	100	–	100	Manufacturing of footwear
永州興昂鞋業有限公司[(1)] (Yongzhou Selena Footwear Company Limited)	The PRC	Capital contribution	RMB6,300,000	–	100	–	100	–	100	–	100	Manufacturing of footwear
興昂國際貿易有限公司 (Stella Romano Trading Limited)	Taiwan	Capital contribution	NTD1,000,000	–	100	–	–	–	100	–	–	Sales of footwear
Stella Europe Trading Limited	Hong Kong	Ordinary	EUR100,000	–	60	–	60	–	60	–	60	Sourcing and distribution of footwear

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

Note:

(1) Wholly foreign-owned enterprises established in the PRC.

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

None of the subsidiaries had issued any debt securities at the end of the reporting period or at any time during both years.

The above table lists the subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in the BVI and in Hong Kong. The principal activities of these subsidiaries are summarised as follows:

Principal activities of business	Principal place	Number of subsidiaries	
		2015	2014
Investment holding	BVI	9	8
	Hong Kong	6	6
Footwear trading	BVI	2	2
Inactive	BVI	4	3
	Hong Kong	4	4
		25	23

The directors of the Company are of the opinion that none of the Group's subsidiaries has non-controlling interests as at 31 December 2015 that are individually material to the Group. Therefore, no further financial information in respect of these subsidiaries with non-controlling interests are presented.

financial summary

	For the year ended 31 December				
	2011 US$'000	2012 US$'000	2013 US$'000	2014 US$'000	**2015** **US$'000**
RESULTS					
Revenue	1,494,531	1,550,003	1,541,471	1,663,091	**1,769,852**
Profit for the year	142,784	152,588	122,816	120,245	**120,151**
Attributable to:					
Equity owners of the Company	142,988	153,403	122,656	120,701	**121,047**
Non-controlling interests	(204)	(815)	160	(456)	**(896)**
	142,784	152,588	122,816	120,245	**120,151**

	As at 31 December				
	2011 US$'000	2012 US$'000	2013 US$'000	2014 US$'000	**2015** **US$'000**
ASSETS AND LIABILITIES					
Total assets	1,074,874	1,158,949	1,186,551	1,186,478	**1,243,226**
Total liabilities	(212,874)	(242,197)	(253,001)	(233,769)	**(258,934)**
Shareholders' funds	862,000	916,752	933,550	952,709	**984,292**

Note: The results for the two years ended 31 December 2014 and 2015, and the assets and liabilities as at 31 December 2014 and 2015 have been extracted from the audited consolidated statement of profit or loss and other comprehensive income and audited consolidated statement of financial position as set out on page 95 and pages 96-97, respectively, of the annual report.

corporate information and financial calendar 2015/2016

BOARD OF DIRECTORS

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

Independent Non-Executive Directors
CHEN Johnny
BOLLIGER Peter
CHAN Fu Keung, William, *BBS*
YUE Chao-Tang, Thomas

AUDIT COMMITTEE

YUE Chao-Tang, Thomas, *Chairman*
CHEN Johnny
CHAN Fu Keung, William, *BBS*

CORPORATE GOVERNANCE COMMITTEE

BOLLIGER Peter, *Chairman*
CHAN Fu Keung, William, *BBS*
YUE Chao-Tang, Thomas

EXECUTIVE COMMITTEE

CHEN Li-Ming, Lawrence, *Chairman*
CHIANG Jeh-Chung, Jack
CHAO Ming-Cheng, Eric
CHI Lo-Jen

NOMINATION COMMITTEE

CHEN Johnny, *Chairman*
BOLLIGER Peter
CHAN Fu Keung, William, *BBS*
YUE Chao-Tang, Thomas

REMUNERATION COMMITTEE

CHAN Fu Keung, William, *BBS, Chairman*
CHEN Johnny
YUE Chao-Tang, Thomas

AUTHORISED REPRESENTATIVES

CHEN Li-Ming, Lawrence
KAN Siu Yim, Katie

CHIEF FINANCIAL OFFICER

LEE Kwok Ming, Don

COMPANY SECRETARY

KAN Siu Yim, Katie

LEGAL ADVISER

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

AUDITORS

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

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Grand Cayman KY1-1111, Cayman Islands

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STOCK CODE

1836

WEBSITE

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FINANCIAL CALENDAR 2015/2016

2015 Interim Results Announcement	28 August 2015
Payment of Interim Dividend	16 October 2015
2015 Annual Results Announcement	23 March 2016
Closure of Register of Members	25 May 2016 to 27 May 2016
Annual General Meeting	27 May 2016
Payment of Final Dividend	On or about 28 June 2016
2016 Interim Results Announcement	On or about 26 August 2016

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

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Stella International Holdings Limited
九興控股有限公司*
Incorporated in the Cayman Islands with limited liability
於開曼群島註冊成立之有限公司

* for identification purpose only