

[For immediate release]



Stella Achieves Record Results in 2007

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Turnover and Net Profit Surged by 20.3% and 25.5% Respectively

Hong Kong, 28 March, 2008 – **Stella International Holdings Limited** (“Stella” or the “Group”; SEHK: 1836), a leading developer and manufacturer of quality footwear products, today announced its first annual results for the year ended 31 December 2007.

Financial & Operational Highlights:

<i>(US\$'000)</i>	For the year ended		Change (%)
	31 December		
	2007	2006	
Turnover	937,164	779,346	+20.3
Gross profit	221,015	165,660	+33.4
Profit before taxation	119,216	93,631	+27.3
Profit attributable to equity holders of the Company	114,695	91,374	+25.5
Basic earnings per share (US\$)	0.165	0.156	+5.8
GP margin (%)	23.6	21.3	+2.3(pt)
EBIT margin (%)	11.5	10.9	+0.6(pt)
NP margin (%)	12.2	11.7	+0.5(pt)
Average selling price per pair (US\$)	19.3	17.8	+8.4
Total shipment during the year (mil pairs)	47.7	43.4	+9.9
No. of retail stores	83	30	+1.8 times

Results Summary

The Group recorded turnover of US\$937.2 million, representing year-on-year growth of 20.3%, while profit attributable to equity holders of the Company grew 25.5% year-on-year to US\$114.7 million for the year ended 31 December 2007. Excluding the one-time expenses of US\$4.0 million associated with the listing of the Company on The Stock Exchange of Hong Kong Limited, profit attributable to equity holders would have increased by over 30% to US\$118.7 million. Basic earnings per share increased 5.8% year-on-year to US\$0.165.

During the year under review, the Group's shipment totaled 47.7 million pairs, increased by 9.9% from the 43.4 million pairs sold in 2006. The average selling price per pair ("ASP") was US\$19.3 (2006: US\$17.8), representing a year-on-year gain of 8.4%.

The Group maintained rapid business growth during the year under review despite the challenging operating environment. The Group's gross profit for the year was US\$221.0 million. This increase of 33.4% over the previous year was a result of the Group's strategy of enhancing product mix with a focus on women fashion footwear, coupled with the superior economies of scale and our continued efforts towards prudent cost control with regard to raw material and manufacturing costs. The gross profit margin was 23.6%, representing an improvement of 2.3 percentage points over 2006. In addition, operating EBIT margin improved to 11.5%, as compared to 10.9% in the previous year. The improvement on profit margins was attributable to improvement in sales mix, higher operational efficiencies and the implementation of cost control measures.

The Board of Directors has proposed the payment of a final dividend of HK\$0.6 per share for the year ended 31 December 2007.

Chairman of the Group Mr. Chiang Jeh-Chung, Jack said, "2007 was indeed an important year for Stella. Our successful listing allowed us to obtain new source of capital resources, we are well positioned to capture a larger market share of the fast growing footwear manufacturing and retailing industry in China. In addition, our philosophy of growing through customers' success and to become an integral part of their supply chain will work well in the challenging environment."

Manufacturing Business

The Group continued to achieve significant growth with our ability to provide integrated, value-added services to our customers at the design and development stages, making us an integral partner for our customers at each stage of the manufacturing process.

The Group's strategy focus on women fashion footwear lifted the women fashion footwear business to 33.5% of the Group's total revenue in 2007 which was followed by men's and women's casual footwear, contributing 30.5% and 27.5% respectively of the total revenue. The men's fashion footwear and women's private label business generated 3.8% and 3.5% of the total revenue respectively. Finally, the Group's retail business represented 1.2% of the total revenue and reached US\$10.9 million in 2007 for an increase of 3.2 times over the previous year.

Geographically, North America and Europe continued to be the Group's two largest markets, with 60.4% and 28.4% respectively of the Group's total revenue for the year under review, being derived from sales to customers in these regions. They were followed by Asia (3.7%), the PRC and Hong Kong (4.3%), and other geographical regions (3.2%).

Retail Business

During the year under review, the Group has established a strong foothold in China's retail market in order to further capture the opportunities brought about by the rapidly growing economy and the increasing purchasing power in the PRC.

The Group's retail business continued to perform well. As of today, the Group owned and operated 80 *Stella Luna* stores, of which 70 were located in 28 major cities in the PRC and the remainder in Bangkok and Phuket in Thailand, and 17 *What For* retail stores in the PRC.

Retail sales of the Group's two brands, *Stella Luna* and *What For*, amounted to approximately US\$10.5 million and US\$0.4 million respectively.

The robust growth of the retail business was mainly attributable to the following factors. The *Stella Luna* brand continued to be well received by the mid to high-end fashion market and was a tremendous success in every aspect, especially in the primary cities. The Group's other brand, *What For*, which is aimed at the contemporary and lifestyle market segment, has received overwhelming response from its targeted customers since its launch in Shanghai in July 2007. The fast acceptance of these brands has also greatly facilitated broad coverage and deep penetration of the target market over a short period of time.

Future Plans & Prospects

The Group plans to maintain a prudent approach towards expanding its manufacturing capacity. The construction of the new manufacturing facility in Huizhou is on schedule and is expected to commence operation in the second half of 2008. This new facility is expected to produce two million pairs of footwear in 2008, increasing the total capacity of the Group by approximately 4.4%. In addition, expansion plans have been put into motion for the

Vietnam facilities. It is expected to have an annual production capacity of 12 million pairs in Vietnam by 2010.

In October 2007, the Group also set up a cooperative joint venture in Hebei in the PRC with an independent third party which is engaged in the tannery business. The joint venture, owned by the Group as to 40% and by the business partner as to 60%, is engaged in footwear manufacturing and is hosted at the tannery factory. It is expected that production will commence early in 2008 with the capacity to manufacture 1.6 million pairs of shoes in 2008 and 3.8 million pairs in 2009.

The Group is devoting increasing resources to improving product development and broadening its product categories in order to meet its customers' needs and market demand, and at the same time expand its customer base. The Group will also continue to introduce products with higher selling price and implement effective cost-saving measures to enhance its profitability.

Leveraging on the knowledge gained in the local operating environment, the Group targets to speed up its expansion in term of the number of stores, aiming to reach a total of 200 retail points in prime locations in the PRC by the end of 2008. In addition, the Group also plans to adopt a franchising scheme to accelerate the expansion of its *What For* brand in second and third tier cities in 2009.

Mr. Lawrence Chen, Chief Executive Officer of the Group said, "Looking to the future, Stella will continue to place strong emphasis on same store sales growth across the region while also improving its operating efficiency. In the meantime, we will leverage on the rapidly growing China economy and the resulting stronger spending power of retail customers, further strengthen our retailing business in China. We will also put more efforts and resources into the marketing of our popular *Stella Luna* and *What For* brands in China in order to increase their brand awareness and to enrich their market penetration in China."

"In adopting the multi-brand strategy, we will continue to explore more cooperation opportunities with renowned brand owners with an aim to establishing Stella as a leading retailer in the footwear industry in the Greater China. We look forward to further deliver satisfying performance and create valuable returns for our shareholders" Chairman of the Group Mr. Chiang Jeh-Chung, Jack concluded.

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Consolidated Income Statement

For the year ended 31 December, 2007

	For the year ended	
	31 December	
	2007	2006
	US\$'000	US\$'000
Revenue	937,164	779,346
Cost of sales	<u>(716,149)</u>	<u>(613,686)</u>
Gross profit	221,015	165,660
Other income	15,911	15,007
Selling and distribution costs	(38,549)	(31,666)
Administrative expenses	(45,750)	(28,876)
Research and development costs	(33,025)	(26,403)
Finance costs	(297)	(91)
Share of results of an associate	(89)	0
Profit before tax	119,216	93,631
Income tax expense	<u>(4,593)</u>	<u>(2,257)</u>
Profit for the year	<u>114,623</u>	<u>91,374</u>
Attributable to:		
Equity holders of the Company	114,695	91,374
Minority interests	<u>(72)</u>	-
	<u>114,623</u>	<u>91,374</u>
Dividends	251,241	21,787
Earnings per share - Basic (US\$)	<u>0.165</u>	<u>0.156</u>