

[For immediate release]



Stella Sustained Growth Momentum Amid the Challenging Environment

* * * * *

*Satisfactory Performance Driven by Improved ASP, Strong Production Capabilities
and Effective Cost Control*

Hong Kong, 20 March, 2009 – **Stella International Holdings Limited** (“Stella” or the “Group”; SEHK: 1836), a leading developer and manufacturer of quality footwear products, today announced its audited annual results for the year ended 31 December 2008.

Financial & Operational Highlights:

(US\$'000)	For the year ended		Change (%)
	31 December		
	2008	2007	
Turnover	1,102,116	937,164	+17.6
Gross profit	262,559	221,015	+18.8
Profit before taxation	131,563	119,216	+10.4
Profit attributable to equity holders of the Company	124,993	114,695	+9.0
Basic earnings per share (US\$)	0.155	0.165	-6.1
GP margin (%)	23.8	23.6	+0.2 ppt
NP margin (%)	11.3	12.2	-0.9 ppt
Average selling price (“ASP”) per pair (US\$)	22.2	19.3	+15.0
Total shipment during the year (mn pairs)	48.4	47.7	+1.4
No. of retail stores	173	83	+90 stores

Results Summary

For the year ended 31 December 2008, the Group recorded turnover of US\$1,102.1 million, representing a satisfactory year-on-year growth of 17.6%, while profit attributable to equity holders of the Company grew 9.0% to US\$125.0 million. Basic earnings per share decreased 6.1% year-on-year to US\$0.155. The satisfactory performance was attributable to an increase in ASP driven by a better sales mix, organic growth in women's and men's fashion footwear businesses as well as stable demand for quality shoes from our premium global brand owners and customers.

During the year, the Group's shipment totaled at 48.4 million pairs in 2008, representing a slight increase of 1.4% compared with 47.7 million pairs sold in 2007. The ASP amounted to US\$22.2 per pair, representing a year-on-year growth of 15.0%.

Despite market uncertainties and slow consumer spending in the U.S. and Europe, the Group achieved sustained growth and was able to maintain healthy margin. Gross profit for the year amounted to US\$262.6 million, representing an increase of 18.8% over 2007, while gross profit margin was maintained at 23.8% (2007: 23.6%). Net profit margin for the year dropped slightly by 0.9 percentage points to 11.3%.

The Board proposed final dividend of HK50 cents per share. Together with the interim dividend of HK30 cents per share paid, the Group's total dividend payout ratio was 66.2% for full year of 2008.

Mr. Lawrence Chen, Chief Executive Officer of the Group said, "Stella's high standard manufacturing capabilities and value-added services have made the Group resilient to the economic slowdown. We take pride in our flexible and highly efficient supply chain service which enable short manufacturing lead-time and production in small batches. These core competencies further enhance our competitiveness and strengthen our relationships with international footwear brands."

Manufacturing Business

During the year, orders from existing major customers increased, with addition of new high-end international brand customers which fueled the sales growth, allowing the Group to sustain growth momentum and achieved satisfactory performance amid the below trend demand growth.

In 2008, the Group's women's fashion footwear business continued to be the largest business segment, contributing 38.5% to the Group's total revenue, followed by women's and men's casual footwear business, which contributed 26.0% and 25.3% to the overall revenue respectively. Contribution from men's fashion segment increased from 3.7% of total revenue in the previous year to 5.9% in 2008.

Geographically, North America and Europe continued to be the Group's two largest markets, accounting for 60.8% and 26.4% respectively of the Group's total revenue for the reporting year, followed by China (Mainland China and Hong Kong) at 5.2%, Asia (ex. China) at 5.1% and other geographical regions at 2.5%.

During the year under review, the Group's manufacturing facilities in Guangdong, China and Vietnam continued to operate at full capacity. The new manufacturing facility in Huizhou, which will be served initially as a subcontracting facility for the Dongguan factories, commenced operation in the second half of 2008. With the new facilities in place, the Group's annual capacity has reached 50 million pairs. In August 2008, the Group completed the acquisition of 40% of the issued share capital of Cosmic Gold Enterprise Corp., which principally engaged in footwear manufacturing business, to further expand its production capability. This initiative will further increase the Group's total annual production capacity by two million pairs, and hence support the Group's future development in ensuring sufficient production capacity to meet customer demand in the long run.

Retail Business

During the year, Stella continued its store expansion plan and further strengthened its foothold and market position in the consumer market. As of 31 December 2008, the Group owned and operated a total of 113 *Stella Luna* stores, with the number of *What For* stores increased by almost five folds to 60 during the year.

The Group's two retail brands, *Stella Luna* and *What For*, received overwhelming response in the consumer market and achieved an impressive year-on-year sales growth of 144.0%, with total sales revenue reaching US\$26.6 million in 2008. Gross profit and operating profit surged 67.0% and 59.9% to US\$17.8 million and US\$3.2 million respectively in 2008. Same-store sales also recorded significant growth of 82.1% during 2008.

Riding on the success of the *Stella Luna* and *What For* brands, the Group established a joint venture with Deckers Asia Pacific Limited ("Deckers") in July 2008 for the opening of retail stores and wholesale distribution of footwear under the UGG Australia® brand in the PRC. During the year, the joint venture launched its first UGG retail store in Beijing, which was well received by its target customers. This strategic alliance with Deckers will enable the Group to leverage on its design, development and manufacturing capabilities and our distribution network in Greater China, thus enable us to increase our presence in the consumer sector throughout Greater China.

Future Plans & Prospects

In 2009, Stella will focus on recalibrating the business to further enhance competitiveness with a view to consolidating its leading position in the market. Despite the uncertain

economic climate, Stella is confident that it can maintain its competitiveness by moving up the value chain and adopting stringent cost-control strategies. The Group will take on prudent development strategy and cost-control measures to stabilise costs and sustain growth, and also continue to shorten lead time to provide customers with high flexibility. In face of escalating manufacturing costs in the PRC. In addition, the Group will explore more cost-effective locations for the possible relocation of its production facilities.

Regarding the retail business, the Group targets to set up additional 25 *Stella Luna* stores and 40 *What For* stores in 2009. The Group will continue to explore other potential strategic partnerships to create more value and synergistic benefits to our existing business.

“We are confident that Stella will be able to weather the storm with our business and operating strategies, which include maintaining high standards of product quality and craftsmanship. No matter how tough it is going to be, we have only one mission: “making the best shoes”. We have strived to offer world-class manufacturing service and are dedicated to achieve growth through our customers’ successes. We look forward to delivering more flourishing results and creating better returns for our shareholders” Mr. Jack Chiang, Chairman of the Group concluded.

####

For further information, please contact Hill and Knowlton Asia Ltd.:-

Agnes Suen Tel: (852) 2894 6251 / 9050 5406; agnes.suen@hillandknowlton.com.hk

Crystal Yip Tel: (852) 2894 6211 / 9720 6445; crystal.yip@hillandknowlton.com.hk

Consolidated Income Statement

For the year ended 31 December, 2008

	For the year ended 31 December	
	2008	2007
	US\$'000	US\$'000
Revenue	1,102,116	937,164
Cost of sales	<u>(839,557)</u>	<u>(716,149)</u>
Gross profit	262,559	221,015
Other income	13,172	15,911
Selling and distribution costs	(57,169)	(38,549)
Administrative expenses	(47,522)	(45,750)
Research and development costs	(38,491)	(33,025)
Share of results of an associate	(986)	(89)
Finance costs	<u>-</u>	<u>(297)</u>
Profit before tax	131,563	119,216
Income tax expense	<u>(6,585)</u>	<u>(4,593)</u>
Profit for the year	<u><u>124,978</u></u>	<u><u>114,623</u></u>
Attributable to:		
Equity holders of the Company	124,993	114,695
Minority interests	<u>(15)</u>	<u>(72)</u>
	<u><u>124,978</u></u>	<u><u>114,623</u></u>
Dividends	<u>93,420</u>	<u>251,241</u>
Earnings per share - Basic (US\$)	<u>0.155</u>	<u>0.165</u>