

[For immediate release]



Stella Delivers Strong Recovery in Full-Year 2010

* * * * *

Profit grows 18%; fledgling retail business records 2nd straight full-year profit

Hong Kong, 17 March, 2011 – **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 2010.

Financial & Operational Highlights:

	For the year ended 31 December		Change (%)
	2010	2009	
(US\$'000)			
Turnover	1,293,521	1,008,598	28.2
Gross profit	282,968	239,806	18.0
Profit before taxation	129,460	108,333	19.5
Profit attributable to equity holders of the Company	121,408	102,168	18.8
Basic earnings per share (US\$)	0.154	0.129	19.4
GP margin (%)	21.9	23.8	-1.9 ppt
NP margin (%)	9.4	10.1	-0.7 ppt
Average selling price (“ASP”) per pair (US\$)	23.2	22.6	2.7
Total shipment during the year (mn pairs)	53.3	42.7	24.8
No. of retail stores	324	256	68 stores

Results Summary

The Group witnessed a turnaround in global activity in 2010, driven by China’s continued development and greater recognition and demand from its customers for quality high-end quality footwear products. The Group’s ability to serve niche clients, especially luxury and premium brands ensured it that was well positioned to capitalise on this upcoming

demand and remain their preferred partner for footwear products.

For the year ended 31 December 2010, the Group's consolidated total revenue was US\$1,293.5 million, a year-on-year increase of 28.2%, while the profit attributable to equity holders of the Company rose 19.4% year-on-year to US\$121.4 million. Basic earnings per share rose 19.4% year-on-year to US\$0.154.

Total shipments for the year also bounced back strongly, up 24.8% to 53.3 million. The average selling price ("ASP") of Stella's footwear products also rose 2.7% in 2010, to US\$23.2 per pair. This increase in ASP is mostly attributable to a combination of rising input costs and to a further recognition of the quality of Stella's products.

Total gross profit for the consolidated business in the year ended 31 December 2010 was US\$283.0 million, an increase of 18% from 2009. This increase in profit is mostly attributable to the rise in shipment volumes and ASP. Gross profit margins for the year fell slightly to 21.9%, while net profit margins fell 0.7 percentage points to 9.4%.

The Board is pleased to announce a final dividend of HK53 cents per share. Together with the interim dividend of HK30 cents per share paid, the Group's total dividend payout ratio was 69% for the full year of 2010.

Mr. Lawrence Chen, Chief Executive Officer of the Group said, "Stella's unwavering commitment to quality and our high position on the value chain allowed us to once again grow our shipping volumes, regain some margins and attract a higher ASP than the industry average. Our clients value Stella's hard-won reputation for responsiveness and innovation when meeting their needs and specifications."

Manufacturing Business

Stella's reputation as a supplier of quality footwear is underpinned by its strong design and development capabilities, with the Group continuing to develop new value-adding products throughout the year. This unique value-adding proposition ensured that the Group's order book ran at close to full capacity for most of the year.

All business segments of Stella's manufacturing business continued to perform well, with the women's fashion footwear business remaining the largest segment, contributing 35.8% of total revenue. Contribution from the Group's women's and men's casual footwear businesses was 25.3% and 25.5% of overall revenue respectively. Contribution from the men's fashion footwear business was 6.5%.

Geographically, North America and Europe continued to be the Group's two largest markets, accounting for 54.7% and 28.4% of the Group's total revenue during the reporting year respectively. This was followed by the PRC (including Hong Kong) at 7.6%, Asia (other than the PRC) at 7.0%, and other geographical regions at 2.3%.

Good Progress on Implementing Cost Saving Measures

With the Group's manufacturing facilities in Dongguan and Vietnam continuing to operate at close of full capacity throughout the year, the Group is well advanced in implementing its strategies to counter the twin challenges of capacity constraints and wage inflation.

As the first step in its production expansion plans, Stella commenced initial operations at its new factory in Guangxi towards the end of 2010, with plans to gradually increase

production in 2011. Our other planned factory in Hunan remains under construction. The development of both factories is part of the Group's overall strategy to shift more labour intensive processes away from coastal regions, in order control production costs, optimise production and secure a stable labour supply. This expansion is expected to boost overall production capacity to 70 million pairs over the long term.

In preparation for the future, the Group is also considering several options, including buying out suitable acquisition targets in Indonesia, to further expand its manufacturing operations and lower input costs.

Retail Business

Our retail business recorded its second full-year profit in 2010, further cementing the position of the Group's *Stella Luna* and *What For* stores in the Chinese high-end women fashion market.

Revenue from the Group's retail business in 2010 grew 42.3% to US\$66.3 million, up from US\$46.6 million in the previous year, while same store sales grew 25.3% to US\$27.7 million. Gross profit for the retail business grew a significant 35.8% to US\$44.8 million, with overall contribution from the retail business to the Group's total revenue rising to 5.0%, up from 4.6% in 2009.

As of 31 December 2010, the Group owned 324 retail stores globally, an increase of 26.6% over the preceding year. As part of its joint venture with Deckers Asia Pacific Limited, the Group also opened three more UGG stores in Shenyang and Shanghai.

Mr. Daniel Shih, Deputy Chairman of the Group said, "The ability of our retail business to become profitable in less than five years is a significant achievement and a testament to our success in building a winning retail and design team, as well as our appeal to China's rapidly emerging mid-to-upper class consumers. We are passionate about creating and delivering the right products to bring joy into the life of China's consumers."

Future Plans & Prospects

Going forward, the Group expects its manufacturing operations and order book to remain at close to full capacity, as global economic recovery continues to fuel consumer demand. ASP is also expected to increase slightly as margin pressures continue to dissipate.

The Group will continue to implement its capacity expansion strategy by gradually expanding initial production levels at its Guangxi factory and working towards the completion of the planned factory in Hunan. At the same time, the Group also plans to expand the capacity of its Vietnam manufacturing facilities while extending our foothold into Indonesia as well.

Over the next few years, the Group envisages the creation of three specialised hubs for Stella's manufacturing business: Dongguan, which will remain the Group's headquarters, R&D centre and high-end manufacturing base; Guangxi/Hunan, for the production of mid-range footwear; and South-East Asia, for European shipments and mass market products. This will allow Stella to further optimise its operations, counter wage inflation and secure a stable labour supply.

Ongoing economic expansion and social mobility in China, alongside the rising willingness of consumers to recognise and pursue quality, will stimulate further demand

for Stella’s retail offerings in China. The Group will continue to pursue further growth in its retail business through store expansions, same-store sales and space extensions. While China will remain the primary focus of this expansion, Stella will also consider opportunities for strategic growth in other regional markets as opportunities emerge. As the Group’s home-grown *Stella Luna* and *What For* brands continue to operate at a profit, Stella will also consider opportunities to introduce and add new brand names to its retail business in order to enhance the Group’s overall revenue mix.

“In the coming year, we expect a higher demand for our products and we continue to develop tighter partnerships with our global partners. We also expect our retail business to contribute more to our overall business as we further cement our place in the market. We are confident that our ongoing capacity expansion and cost-efficiency measures, combined with our efforts to contain inflation and operating costs, will place Stella in good stead to achieve maximum benefits from the global economic recovery and deliver strong return to our shareholders,” said Mr. Jack Chiang, Chairman of the Group.

He concluded, “Our mission remains to ‘make the best shoes’ and we are confident that the passion, empathy and responsiveness we show in our business will continue to win the trust of our global partners and contribute to our future success.”

####

For further information, please contact:

College Hill

Dickson Lam

Tel: +852 3791 2286

Email: dickson.lam@collegehill.com.hk

Matthew Schultz

Tel: +852 3791 2032

Email: matthew.schultz@collegehill.com.hk

Consolidated Income Statement
For the year ended 31 December, 2010

	For the year ended 31 December	
	2010	2009
	US\$'000	US\$'000
Revenue	1,293,521	1,008,598
Cost of sales	(1,010,553)	(768,792)
Gross profit	282,968	239,806
Other income	10,014	10,994
Distribution and selling expenses	(66,664)	(57,391)
Administrative expenses	(58,600)	(44,854)
Research and development costs	(39,621)	(35,660)
Loss on changes in fair value of held for trading investments	(601)	–
Loss on changes in fair value of derivative financial instruments	(22)	(9)
Share of results of an associate	1,986	710
Impairment loss on interest in associates	-	(5,261)
Finance costs	-	(2)
Profit before tax	129,460	108,333
Income tax expense	(8,132)	(6,252)
Profit for the year	121,328	102,081
Attributable to:		
Equity holders of the Company	121,408	102,168
Minority interests	(80)	(87)
	121,328	102,081
Dividends	84,622	81,998
Earnings per share - Basic (US\$)	0.154	0.129