[For immediate release]

Stella Navigates European Debt Crisis and Continues to Grow

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Cautiously expands capacity to tap growing demand from US and European brands

Hong Kong, 21 March, 2013 – **Stella International Holdings Limited** ("Stella" or the "Group"; SEHK: 1836), a leading developer, manufacturer and retailer of quality footwear products, today announced its audited annual results for the year ended 31 December 2012.

Financial & Operational Highlights:

	For the year ended 31 December		Change (%)
(US$'000)	**2012**	**2011**	
Turnover	1,550,003	1,494,531	3.7
Gross profit	375,247	352,465	6.4
Profit before taxation	167,043	156,914	6.5
Profit attributable to equity holders of the Company	153,403	142,988	7.3
Basic earnings per share (US$)	0.194	0.181	7.2
GP margin (%)	24.2	23.6	0.6 ppt
NP margin (%)	9.9	9.6	0.3 ppt
Average selling price ("ASP") per pair (US$)	28.6	27.1	5.5
Total shipment during the year (mn pairs)	50.8	52.6	-3.4
No. of retail stores	457	416	41 stores

Results Summary

The Group experienced a sharp downturn in global consumer confidence in the first half of the year, which was marked by a deepening of the European debt crisis and a delayed economic recovery in the United States. However, more stable economic conditions in the second half, combined with Stella's strong relationships with its brand-name clients, ensured that the Group's financial performance during the year was respectable.

For the year ended 31 December 2012, the Group's consolidated total revenue was US$1,550.0 million, a year-on-year increase of 3.7%, while the profit attributable to equity holders of the Company rose 7.3% year-on-year to US$153.4 million. Basic earnings per share rose 7.2% year-on-year to US$0.194.

Total shipments for the year fell 3.4% to 50.8 million pairs, as the result of temporary capacity constraints, control on labour overtime and a lag caused by slower global demand in the first half of 2012. The average selling price ("ASP") of the Group's footwear products rose 5.5% to US$28.6 per pair due to cost inflation, further recognition of the quality of the Group's products and improvements to product mix.

Total gross profit for the consolidated business during the year under review was US$375.2 million, a 6.4% increase compared to the previous year. This was mostly attributed to the resilient performance of our manufacturing business and our value-adding production process. Gross profit margins rose to 24.2%, compared to 23.6% last year, while net profit margins improved slightly to 9.9%.

The Board is pleased to announce a final dividend of HK75 cents per share. Together with the interim dividend of HK30 cents per share paid, the Group's total dividend payout ratio for 2012 was 70%.

Mr. Lawrence Chen, Chief Executive Officer of the Group said, "Our business held up resolutely in 2012 in the face of strong external challenges and internal adjustments to our manufacturing business. We are happy to be adding more capacity in locations with greater labour stability, which should enhance the quality of our products."

Manufacturing Business

All segments of the Group's manufacturing business performed satisfactorily during the year. Women's fashion footwear remained the largest fashion segment, contributing 37.8% to total revenue. Contributions from the Group's women's and men's casual footwear businesses was 22.7% and 23.3% of overall revenue respectively, while the contribution from the men's fashion segment rose to 8.2%.

Geographically, North America and Europe continued to be the Group's two largest markets, accounting for 52.7% and 23.0% of total revenue in 2012. This was followed by the Greater China, accounting for 15.0%, Asia (other than the Greater China), accounting for 5.3%, and other geographical regions which accounted for 4.0%.

Expansion of New Production Facilities and Removal of Temporary Capacity Constraints

The Group ramped up production at its new low-cost facilities in inland China (Guangxi and Hunan) and Indonesia in the second half of the year. This removed the temporary capacity constraints that were partially responsible for lower shipment volume this year.

The establishment of these facilities is part of the Group's long-term plan to shift labour-intensive operations away coastal regions of China, where the labour turnover rate is high. Our other manufacturing facilities in Dongguan and Vietnam operated at close-to-full capacity throughout the year.

Performance of Retail Business and Introduction of New Retail Brands

The Group's retail business delivered another year of solid performance, with revenue growing 20.6% to US$119.4 million. Same-store sales growth (in China only) slowed to 2.3%, rising to US$68.1 million in 2012 from US$66.6 million in the preceding year. This is partially due to a high base, lower domestic consumer confidence in China and efforts to refine our merchandising and allocation.

The Group's *Stella Luna* and *What For* retail brands continued to increase their reach in the affordable luxury footwear markets of China and other regions, opening new standalone stores at quality retail locations in line with the Group's retail strategy. As of 31 December 2012, the Group operated a total of 240 *Stella Luna* stores and 205 *What For* stores globally.

The Group also introduced two new retail brands in 2012 as part of its efforts to diversify the retail business and tap more niche markets. *JKJY*, the Group's first male-focused retail brand was launched in the first half of the year and currently operates 10 stores globally. The Group also opened its first 2 joint-venture stores in China with prestigious Paris-based brand *Pierre Balmain*.

Opening of First European Retail Store

The Group opened its first *Stella Luna* store in Paris' fashionable Saint-Germain shopping district in December 2012 – the first part of its global marketing efforts to build a global presence for its brands and interact more with the western retail market.

Mr. Stephen Chi, CEO of the Group's retail business said, "2012 was another landmark year for our retail business. Through *JKJY* and *Pierre Balmain*, we have entered more niche retail markets and we are excited to be expanding our presence to western markets."

Future Plans & Prospects

The Chinese manufacturing sector will face some of the same challenges in 2013 as it did during the year under review, especially unstable labour supply and rising wages. However, the Group is well advanced in countering these challenges by shifting production to locations with labour and cost advantages, leaving it well placed to cater for future demand. Looking forward, it will also evaluate expanding manufacturing capability to Bangladesh and Myanmar to further optimise production allocation.

On the retail side, the Group remains cautiously optimistic about the medium-to-long term growth potential for mid-to-upper tier footwear products in China, particularly in emerging niche segments of the market. In order to tap these markets, the Group will carefully consider introducing additional brands and products. The Group will also refine and optimise its retail store network in the coming year to boost overall competitiveness

At the global level, the Group will leverage on *Stella Luna's* newly opened Paris store to gain experience, build a global audience and gradually open more concept stores in major European cities in the next few years.

Mr. Jack Chiang, Chairman of the Group, concluded, "Although the future operational environment remains challenging, we are taking sensible steps to protect our competitiveness and our ability to provide sustainable returns for shareholders. We look forward to working closely with our customers to continue producing value-adding products well into the future."

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Consolidated Income Statement
For the year ended 31 December, 2012

	For the year ended 31 December	
	2012	2011
	US$'000	US$'000
Revenue	1,550,003	1,494,531
Cost of sales	(1,174,756)	(1,142,066)
Gross profit	375,247	352,465
Other income	16,297	14,467
Other gain and loss	15,799	(3,894)
Distribution and selling expenses	(118,755)	(100,675)
Administrative expenses	(72,680)	(61,221)
Research and development costs	(49,504)	(44,753)
Share of results of associates	763	525
Interest on bank borrowing wholly repayable within 5 years	(124)	-
Profit before taxation	167,043	156,914
Income tax expense	(14,455)	(14,130)
Profit for the year	152,588	142,784
Attributable to:		
Equity holders of the Company	153,403	142,988
Minority interests	(815)	(204)
	152,588	142,784
Earnings per share - Basic (US$)	0.194	0.181