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Stella International Holdings Limited

九興控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1836)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

The board (the “Board”) of directors (the “Directors”) of Stella International Holdings Limited (the “Company”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2010, together with the comparative figures for the previous financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	<i>Notes</i>	2010 <i>US\$'000</i>	2009 <i>US\$'000</i>
Revenue	3	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 associates		1,986	710
Impairment loss on interest in an associate		–	(5,261)
Finance costs		–	(2)
Profit before tax		129,460	108,333
Income tax expense	4	(8,132)	(6,252)

* *For identification purpose only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(continued)

For the year ended 31 December 2010

	Notes	2010 US\$'000	2009 US\$'000
Profit for the year	5	121,328	102,081
Exchange differences arising on translation of foreign operation		<u>(7,864)</u>	<u>(711)</u>
Total comprehensive income for the year		<u>113,464</u>	<u>101,370</u>
Profit (loss) for the year attributable to:			
Owners of the Company		121,408	102,168
Non-controlling interests		<u>(80)</u>	<u>(87)</u>
		<u>121,328</u>	<u>102,081</u>
Total comprehensive income (loss) attributable to:			
Owners of the Company		113,551	101,457
Non-controlling interests		<u>(87)</u>	<u>(87)</u>
		<u>113,464</u>	<u>101,370</u>
Earnings per share	7		
– basic (US\$)		<u>0.154</u>	<u>0.129</u>
– diluted (US\$)		<u>0.153</u>	<u>0.129</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	<i>Notes</i>	2010 <i>US\$'000</i>	2009 <i>US\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		160,903	149,152
Prepaid lease payments		8,314	8,387
Goodwill		2,423	–
Interests in associates		18,019	11,707
Deposit paid for acquisition of property, plant and equipment		7,821	445
		<u>197,480</u>	<u>169,691</u>
CURRENT ASSETS			
Inventories		143,118	107,725
Trade and other receivables	8	228,233	192,820
Prepaid lease payments		254	249
Amounts due from associates		35,804	29,832
Amount due from related companies		1,514	–
Derivative financial instruments		231	33
Held for trading investments		23,281	–
Bank deposits		–	108,117
Cash and cash equivalents		360,210	317,120
		<u>792,645</u>	<u>755,896</u>
CURRENT LIABILITIES			
Trade and other payables	9	144,852	127,022
Bills payable	9	19,189	10,542
Amount due to an associate		–	879
Derivative financial instruments		22	9
Tax liabilities		23,855	18,658
		<u>187,918</u>	<u>157,110</u>
NET CURRENT ASSETS		<u>604,727</u>	<u>598,786</u>
		<u>802,207</u>	<u>768,477</u>
CAPITAL AND RESERVES			
Share capital		10,160	10,160
Share premium and reserves		792,131	758,314
Equity attributable to owners of the Company		802,291	768,474
Non-controlling interests		(84)	3
		<u>802,207</u>	<u>768,477</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2010

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 2009	10,160	154,503	45,427	1,146	5,842	(3,001)	190	-	538,625	752,892	90	752,982
Exchange difference on translation of foreign operations	-	-	-	-	(711)	-	-	-	-	(711)	-	(711)
Profit for the year	-	-	-	-	-	-	-	-	102,168	102,168	(87)	102,081
Total comprehensive (expense) income for the year	-	-	-	-	(711)	-	-	-	102,168	101,457	(87)	101,370
Recognition of equity-settled share-based payment	-	-	-	-	-	-	-	1,205	-	1,205	-	1,205
Purchase of shares for long term incentive scheme	-	-	-	-	-	(5,082)	-	-	-	(5,082)	-	(5,082)
Shares vested under long term incentive scheme	-	-	-	-	-	1,042	-	(832)	(210)	-	-	-
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(81,998)	(81,998)	-	(81,998)
As at 31 December 2009	10,160	154,503	45,427	1,146	5,131	(7,041)	190	373	558,585	768,474	3	768,477
Exchange difference on translation of foreign operations	-	-	-	-	(7,857)	-	-	-	-	(7,857)	(7)	(7,864)
Profit for the year	-	-	-	-	-	-	-	-	121,408	121,408	(80)	121,328
Total comprehensive (expense) income for the year	-	-	-	-	(7,857)	-	-	-	121,408	113,551	(87)	113,464
Recognition of equity-settled share-based payment	-	-	-	-	-	-	-	2,071	-	2,071	-	2,071
Shares vested under long term incentive scheme	-	-	-	-	-	1,985	-	(1,418)	(567)	-	-	-
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(81,805)	(81,805)	-	(81,805)
As at 31 December 2010	10,160	154,503	45,427	1,146	(2,726)	(5,056)	190	1,026	597,621	802,291	(84)	802,207

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 to 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 ordinary shares on the Main Board of The Stock Exchange of Hong Kong Limited 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 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 2010

	2010 US\$'000	2009 US\$'000
OPERATING ACTIVITIES		
Profit before tax	129,460	108,333
Adjustments for:		
Depreciation of property, plant and equipment	24,842	21,419
Impairment loss recognised on inventories	355	163
Share of results of associates	(1,986)	(710)
Net gain on changes in fair value of derivative financial instruments	(185)	(24)
Release of prepaid lease payments	250	248
Loss on disposal of property, plant and equipment	26	272
Interest income	(2,929)	(5,163)
Share-based payment expenses	2,071	1,205
Impairment loss of interest in associates	–	5,261
	<hr/>	<hr/>
Operating cash flows before movements in working capital	151,904	131,004
Increase in inventories	(50,512)	(3,970)
(Increase) decrease in trade and other receivables	(33,564)	6,333
(Increase) decrease in amounts due from associates	(6,851)	2,582
Increase in held for trading investments	(23,281)	–
Increase in amounts due from related companies	(1,514)	–
Increase in trade and other payables	17,008	15,983
	<hr/>	<hr/>
Cash generated from operations	53,190	151,932
Income tax paid	(3,372)	(2,210)
Payment for purchase of shares under long term incentive scheme	–	(5,082)
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	49,818	144,640
	<hr/>	<hr/>
INVESTING ACTIVITIES		
Decrease (increase) in bank deposits	108,117	(108,117)
Interest received	2,929	5,163
Dividend received	2,674	1,957
Acquisition of subsidiaries (net of cash and cash equivalents received)	1,279	–
Proceeds from disposal of property, plant and equipment	541	2,379
Increase in deposit paid for acquisition of property, plant and equipment	(7,492)	(445)
Purchase of property, plant and equipment	(29,420)	(11,625)
Investment in an associate	(7,000)	–
Decrease in pledged bank deposit	–	10,068
	<hr/>	<hr/>
NET CASH FROM (USED IN) INVESTING ACTIVITIES	71,628	(100,620)
	<hr/>	<hr/>

CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the year ended 31 December 2010

	2010 <i>US\$'000</i>	2009 <i>US\$'000</i>
CASH USED IN FINANCING ACTIVITIES		
Dividend paid	<u>(81,805)</u>	<u>(81,998)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,641	(37,978)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	317,120	355,011
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>3,449</u>	<u>87</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by	<u>360,210</u>	<u>317,120</u>
Bank balances and cash	187,553	277,029
Deposits placed in financial institutions	<u>172,657</u>	<u>40,091</u>
	<u>360,210</u>	<u>317,120</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2010

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

New and revised standards and interpretations applied in the current year

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions.

HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

In the current year, the application of HKFRS 3 (as revised in 2008) has affected the accounting treatment of acquisition related costs relating to the acquisition of Simple Enterprises Limited and its subsidiaries. However, such costs are insignificant.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group’s accounting policies for attribution of loss to non-controlling interests.

HKAS 27 (Revised) requires the Group to allocate the total comprehensive income and expense of a subsidiary to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Previously, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary’s equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

The application of HKAS 27 (as revised in 2008) has resulted in an increase in profit and other comprehensive income attributable to owners of the Company by US\$80,000 and US\$4,000, respectively, and an increase in loss and other comprehensive expenses for the year attributable to non-controlling interests by the same amounts. The effects on the basic and diluted earnings per share are insignificant.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

Amendments to HKAS 17 Leases

As part of *Improvements to HKFRSs* issued in 2009, HKAS 17 *Leases* has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The application of the amendments to HKAS 17 does not affect the classification of the Group’s leasehold land.

New and revised Standards and Interpretations issued but not yet effective

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 ¹
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ²
HKFRS 9	Financial Instruments ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁴
HKAS 24 (as revised in 2009)	Related Party Disclosures ⁵
HKAS 32 (Amendments)	Classification of Rights Issues ⁶
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁵
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁷

¹ Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 July 2011.

³ Effective for annual periods beginning on or after 1 January 2013.

⁴ Effective for annual periods beginning on or after 1 January 2012.

⁵ Effective for annual periods beginning on or after 1 January 2011.

⁶ Effective for annual periods beginning on or after 1 February 2010.

⁷ Effective for annual periods beginning on or after 1 July 2010.

HKFRS 9 *Financial Instruments* (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 *Financial Instruments* (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (continued)

New and revised Standards and Interpretations issued but not yet effective (continued)

Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at either 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. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The application of HKFRS 9 Financial Instruments (as issued in November 2009) will not affect the classification and measurement of the Group’s financial assets other than derivative financial instruments and held for trading investments. The Group’s financial assets are classified as loans and receivables and are held within a business model with an objective to collect the contractual cash flows and the contractual cash flows that are solely payments of principal and interest on the principal outstanding, so these financial assets will continue to be measured at amortised costs.

The application of HKFRS 9 Financial Instruments (as issued in November 2010) will not affect the classification and measurement of the Group’s financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that the application of the other new and revised standards or interpretations will have no material impact on the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value and 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 (the “Listing Rules”) and by the Hong Kong Companies Ordinance.

3. SEGMENT INFORMATION

Information reported to the chief executive director 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.

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

3. SEGMENT INFORMATION (continued)

(a) Operating segments

Segment revenues and results

For the year ended 31 December 2010

	Men's footwear US\$'000	Women's footwear US\$'000	Footwear retailing and wholesaling US\$'000	Total US\$'000	Eliminations US\$'000	Consolidated US\$'000
REVENUE						
External sales	420,607	806,626	66,288	1,293,521	-	1,293,521
Inter-segment sales	-	21,476	-	21,476	(21,476)	-
Total	<u>420,607</u>	<u>828,102</u>	<u>66,288</u>	<u>1,314,997</u>	<u>(21,476)</u>	<u>1,293,521</u>
Inter-segment sales are charged at prevailing market rates						
RESULTS						
Segment results	<u>50,137</u>	<u>153,945</u>	<u>999</u>	<u>205,081</u>	<u>(458)</u>	204,623
Unallocated income						
- Interest income from banks						2,865
- Gain on change in fair value of derivative financial instruments						231
- Rental income						3,725
- Sale of scrap						260
- Others						1,865
Unallocated expenses						
- Research and development costs						(39,621)
- Central administrative costs						(45,851)
- Loss on change in fair value of derivative financial instruments						(22)
- Loss on change in fair value of held for trading investments						(601)
Share of results of associates						<u>1,986</u>
Profit before tax						<u>129,460</u>

3. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

Segment revenues and results (continued)

For the year ended 31 December 2009

	Men's footwear <i>US\$'000</i>	Women's footwear <i>US\$'000</i>	Footwear retailing and wholesaling <i>US\$'000</i>	Total <i>US\$'000</i>	Eliminations <i>US\$'000</i>	Consolidated <i>US\$'000</i>
REVENUE						
External sales	292,774	669,219	46,605	1,008,598	–	1,008,598
Inter-segment sales	–	11,753	–	11,753	(11,753)	–
Total	<u>292,774</u>	<u>680,972</u>	<u>46,605</u>	<u>1,020,351</u>	<u>(11,753)</u>	<u>1,008,598</u>
Inter-segment sales are charged at prevailing market rates						
RESULTS						
Segment results	<u>47,225</u>	<u>128,700</u>	<u>1,227</u>	<u>177,152</u>	<u>(1,123)</u>	176,029
Unallocated income						
– Interest income from banks						5,146
– Gain on change in fair value of derivative financial instruments						33
– Rental Income						3,735
– Sale of scrap						329
– Others						1,592
Unallocated expenses						
– Research and development costs						(35,374)
– Central administrative costs						(38,595)
– Loss on change in fair value of derivative financial instruments						(9)
– Finance costs						(2)
Share of results of associates						710
Impairment loss on interest in associates						<u>(5,261)</u>
Profit before tax						<u>108,333</u>

3. 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 profit attributable to each segment without allocation of corporate income and expenses, interest income from banks, gain on change in fair value of derivative financial instruments, rental income, sale of scrap, research and development costs, impairment loss on interests in associates, share of results of associates, central administration costs and finance costs. This is the measure reported to the Group's chief executive officer for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2010 <i>US\$'000</i>	2009 <i>US\$'000</i>
Segment assets		
Men's footwear	220,841	191,120
Women's footwear	290,994	239,001
Footwear retailing and wholesaling	<u>50,225</u>	<u>39,976</u>
Total segment assets	562,060	470,097
Other assets	<u>428,065</u>	<u>455,490</u>
Consolidated assets	<u><u>990,125</u></u>	<u><u>925,587</u></u>
	2010 <i>US\$'000</i>	2009 <i>US\$'000</i>
Segment liabilities		
Men's footwear	72,774	55,855
Women's footwear	84,966	68,988
Footwear retailing and wholesaling	<u>11,919</u>	<u>9,471</u>
Total segment liabilities	169,659	134,314
Other liabilities	<u>18,259</u>	<u>22,796</u>
Consolidated liabilities	<u><u>187,918</u></u>	<u><u>157,110</u></u>

3. 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 amounts due from associates and related companies, held for trading investments, derivative financial assets, and cash and cash equivalents; and
- all liabilities are allocated to reportable segments other than tax liabilities, amount due to an associate and derivative financial liabilities of group entities not belonging to any operating segments.

Other segment information

2010

	Men's Footwear <i>US\$'000</i>	Women's Footwear <i>US\$'000</i>	Footwear retailing and wholesaling <i>US\$'000</i>	Total <i>US\$'000</i>
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	20,492	9,372	3,589	33,453
Depreciation	12,642	9,009	3,176	24,827
Loss on disposal of property, plant and equipment	–	26	–	26
Write-down (reversal) of inventories	288	288	(221)	355
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interest in associates	15,415	–	2,604	18,019
Share of profit of associates	28	–	1,958	1,986
Income tax expense	3,461	4,388	283	8,132

3. SEGMENT INFORMATION *(continued)*

(a) Operating segments *(continued)*

Other segment information (continued)

2009

	Men's Footwear <i>US\$'000</i>	Women's Footwear <i>US\$'000</i>	Footwear retailing and wholesaling <i>US\$'000</i>	Total <i>US\$'000</i>
Amounts included in the measure of segment profit or segment assets:				
Additions to property, plant and equipment	3,819	5,447	2,776	12,042
Depreciation	9,805	8,873	2,741	21,419
Loss on disposal of property, plant and equipment	259	13	–	272
Write-down of (reversal) inventories	414	371	(622)	163
Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or loss or segment assets:				
Interest in associates	11,061	–	646	11,707
Share of profit of associates	457	–	253	710
Income tax expense	3,161	3,091	–	6,252

(b) Revenue from major products and services

	2010 <i>US\$'000</i>	2009 <i>US\$'000</i>
Men's footwear	420,607	292,774
Women's footwear	872,914	715,824
	<u>1,293,521</u>	<u>1,008,598</u>

3. SEGMENT INFORMATION *(continued)*

(c) Geographical information

The Group's revenue from external customers and information about its non-current assets by geographical locations of the assets are detailed below:

	Revenue from external customers		Non-current assets As at 31 December	
	2010 <i>US\$'000</i>	2009 <i>US\$'000</i>	2010 <i>US\$'000</i>	2009 <i>US\$'000</i>
United States of America	675,539	544,736	–	–
United Kingdom	146,166	113,091	–	–
The PRC	97,629	71,359	197,480	169,691
Italy	59,085	42,190	–	–
Netherlands	58,532	53,488	–	–
Thailand	45,064	11,092	–	–
Canada	30,678	27,420	–	–
Spain	30,026	18,081	–	–
Belgium	19,382	12,750	–	–
Japan	17,395	12,813	–	–
Germany	13,720	8,265	–	–
Singapore	10,206	6,650	–	–
South Korea	9,984	6,437	–	–
Australia	9,322	7,139	–	–
Switzerland	7,853	5,307	–	–
Panama	5,323	5,653	–	–
Portugal	395	17,558	–	–
Others	57,222	44,569	–	–
	1,293,521	1,008,598	197,480	169,691

3. SEGMENT INFORMATION *(continued)*

(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:

	2010	2009
	US\$'000	US\$'000
Customer A ¹	221,637	171,699
Customer B ¹	184,965	182,436

¹ Revenue from men's and women's footwear operating segments in aggregate

4. INCOME TAX EXPENSE

	2010	2009
	US\$'000	US\$'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	8,132	6,252

No provision for Hong Kong Profits Tax has been made as the Group's profit neither arose in, nor was derived from, Hong Kong during the year.

Under the law of the PRC on EIT and Implementation Regulation of the EIT law, the tax rate of the PRC subsidiaries is 25% effective from 1 January 2008 onwards.

Dongguan Stella Footwear Company Limited ("Dongguan Stella") enjoyed preferential tax treatment (12.5% tax rate, determined at 50% of the applicable tax rate of 25%) for the year ended 31 December 2009 and the tax rate stepped up to 25% for the year ended 31 December 2010 and will apply hereafter.

The income of Long Chuan Simona Footwear Company Limited ("Long Chuan Simona"), Stella Luna Fashion Inc., Stella International and Selena Footwear Inc. derived from production, business operations and other sources in the PRC is subject to EIT at a rate of 25% for the years ended 31 December 2010 and 2009.

As stated in the Decree Law No. 58/99/M, Chapter 2, Article 12, dated 18 October 1999, Bestsource Technology (Macao Commercial Offshore) Limited ("Bestsource"), a subsidiary acquired during the year is exempted from Macao Complementary Tax.

No deferred tax has been provided in the consolidated financial statements in respect of the temporary differences attributable to profits generated by both Dongguan Stella and Long Chuan Simona as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdictions.

4. INCOME TAX EXPENSE (continued)

The income tax expense for the year can be reconciled to the profit before tax per consolidated statement of comprehensive income as follows:

	2010 <i>US\$'000</i>	2009 <i>US\$'000</i>
Profit before tax	<u>129,460</u>	<u>108,333</u>
Tax at the applicable PRC EIT rate of 25% (2009: 25%)	32,365	27,083
Tax effect of expenses not deductible for tax purposes (<i>Note 1</i>)	6,436	5,396
Tax effect of income not taxable for tax purposes (<i>Note 2</i>)	(30,127)	(26,142)
Tax effect of share of results of associates	(602)	(177)
Effect of different tax rates of subsidiaries operating in other jurisdictions	<u>60</u>	<u>92</u>
Income tax expense	<u>8,132</u>	<u>6,252</u>

Notes:

1. Tax effect of expenses not deductible mainly represents the subcontracting charges and operating expenses in the PRC with payment receipts but no invoices for tax deduction claim under the relevant tax jurisdictions.
2. Tax effect of income not taxable is the income of Stella International and Bestsource which are not assessable under their relevant tax jurisdictions. As Stella International has no fixed place to carry out the operation, it subcontracted and engaged other companies as services providers to perform supporting activities and remunerate them with the service fee, while Bestsource is exempted from Macao Complementary Tax.

In October 2010, the Inland Revenue Department (“IRD”) initiated a tax audit on the Hong Kong tax affairs of certain subsidiaries of the Company for the years of assessment for 2004/2005 to 2009/2010.

The directors of the Company are of the opinion that the tax audit exercise is still at a very preliminary stage and that no profits tax is payable by the Group as the subsidiaries in question did not carry out any business, nor derive any profits, in Hong Kong. Accordingly, no provision for Hong Kong Profits Tax is considered necessary in respect of the tax audit.

5. PROFIT FOR THE YEAR

	2010 <i>US\$'000</i>	2009 <i>US\$'000</i>
Profit for the year has been arrived at after charging:		
Directors' emoluments	4,563	2,871
Other staff costs	201,993	171,485
Share-based payment expenses, excluding directors	1,240	649
Retirement benefit scheme contributions, excluding directors	1,697	1,675
	<hr/>	<hr/>
Total staff costs	209,493	176,680
	<hr/>	<hr/>
Auditor's remuneration	618	609
Cost of inventories recognised as an expense	1,010,198	768,629
Depreciation of property, plant and equipment	24,842	21,419
Write down of inventories (included in cost of sales)	355	163
Loss on disposal of property, plant and equipment	26	272
Net exchange loss	1,478	762
Release of prepaid lease payments	250	248
Share of taxation of associates (included in share of results of associates)	418	236
	<hr/> <hr/>	<hr/> <hr/>

6. DIVIDENDS

	2010 <i>US\$'000</i>	2009 <i>US\$'000</i>
2009 final dividend of HK40 cents per share (2009: 2008 final dividend of HK50 cents per share) paid and a special dividend of HK10 cents per share declared and paid for 2009	51,158	51,248
2010 interim dividend of HK30 cents per share (2009: HK30 cents per share) paid	30,647	30,750
	<hr/>	<hr/>
	81,805	81,998
	<hr/> <hr/>	<hr/> <hr/>

The final dividend of HK53 cents per share for the year ended 31 December 2010 has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	2010 <i>US\$'000</i>	2009 <i>US\$'000</i>
Earnings		
Profit for the year and earnings attributable to owners of the Company for the purposes of basic earnings per share	<u>121,408</u>	<u>102,168</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	790,708,942	791,610,816
Effect of dilutive potential ordinary shares:		
Unvested shares awarded	<u>716,948</u>	<u>1,645,143</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>791,425,890</u>	<u>793,255,959</u>

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.

8. TRADE 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 receivables presented based on invoice date at the end of the reporting period:

	2010 <i>US\$'000</i>	2009 <i>US\$'000</i>
Trade receivables:		
0 – 30 days	118,056	98,902
31 – 60 days	42,851	36,638
61 – 90 days	8,472	10,165
Over 90 days	<u>13,675</u>	<u>16,768</u>
	183,054	162,473
Other receivables	<u>45,179</u>	<u>30,347</u>
Total trade and other receivables	<u>228,233</u>	<u>192,820</u>

8. TRADE AND OTHER RECEIVABLES *(continued)*

Included in the Group's trade and other receivables balance are debtors with aggregate amount of US\$1,860,000, US\$12,000 and US\$809,000 (2009: US\$6,426,000, US\$67,000 and US\$659,000) which are denominated in RMB, HKD and other currencies other than the functional currency of the respective group entities and are exposed to currency risk.

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. Majority of the trade receivables that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of US\$14,140,000 (31 December 2009: US\$15,349,000) 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 receivables based on the invoice date which are past due but not impaired:

	2010 <i>US\$'000</i>	2009 <i>US\$'000</i>
31-60 days	6,896	5,856
61-90 days	4,829	4,253
Over 90 days	2,415	5,240
	14,140	15,349

9. TRADE, BILLS AND OTHER PAYABLES

The following is an aged analysis of the Group's trade and bills payables presented based on invoice date at the end of the reporting period is as follows:

	2010 <i>US\$'000</i>	2009 <i>US\$'000</i>
Trade and bills payables:		
0 – 30 days	70,322	57,792
31 – 60 days	4,073	5,258
Over 60 days	24,484	7,855
	<hr/>	<hr/>
	98,879	70,905
Other payables	65,162	66,659
	<hr/>	<hr/>
	164,041	137,564
	<hr/> <hr/>	<hr/> <hr/>

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.

Included in the Group's trade and other payables balance are creditors with aggregate amount of US\$11,417,000, US\$14,000 and US\$861,000 (2009: US\$4,988,000, US\$262,000 and US\$827,000) which are denominated in RMB, HKD and other currencies other than the functional currency of respective group entities and are exposed to currency risk.

FINANCIAL HIGHLIGHTS

Resurgent Economic Growth Underpins Strong Consumer Demand in 2010

The Group witnessed a turnaround in global economic activity driven by China's continued rapid development and greater recognition and demand from our customers for its quality high-end products.

Stella's unique ability to serve niche clients, especially luxury and premium brands, ensured that we were well positioned to capitalise on this upcoming demand and remain their preferred partner for footwear products. During the year under review, our consolidated revenue increased 28.2% year-on-year to US\$1,293.5 million (2009: US\$1,008.6 million) while total shipments rose 24.8% to 53.3 million pairs (2009: 42.7 million pairs). The net profit attributable to equity holders of the Company rose 18.9% to US\$121.4 million (2009: US\$102.1 million).

The average selling price ("ASP") of Stella's footwear products rose 2.7% in 2010, to US\$23.2 per pair (2009: US\$22.6), an increase attributable to a combination of rising input costs and recognition of the quality of our products. Basic earnings per share rose 19.4% year-on-year to US\$0.154 (2009: US\$0.129), based on the weighted average number of 790,708,942 ordinary shares in 2010 (2009: 791,610,816 shares).

All segments of our manufacturing business performed well, with the women's fashion footwear business contributing 35.8% to the Group's total revenue (2009: 37.3%), remaining our largest business segment. Contribution from the women's and men's casual footwear segments was 25.3% (2009: 26.5%) and 25.5% (2009: 23.5%) of overall revenue respectively, while the contribution from the men's fashion segment rose to 6.5% (2009: 5.6%).

Retail Business Continues to Grow

2010 was a strong year for Stella's retail business, which recorded its second full-year profit less than five years after its launch in 2006. This result was attributable to our success in building a winning retail and design team, as well as the Group's exposure to China's rapidly emerging mid-to-upper class consumers. Both our *Stella Luna* and *What For* brands continued to open new stores in China and other emerging markets throughout the year.

Revenue from our retail business in 2010 grew 42.3% to US\$66.3 million (2009: US\$46.6 million), while same-store sales grew 25.3% to US\$27.7 million, up from US\$22.1 million in the preceding year. The retail business' contribution to the Group's total revenue rose to 5.0%, up from 4.6% in the previous year.

Gross profit for our retail business grew a significant 35.8% to US\$44.8 million. As at the end of 2010, Stella owned 324 retail stores globally, an increase of 26.6% over the preceding year.

Strengthening Financial Results as Global Recovery Takes Hold

Our Group's consolidated gross profit for the year was US\$283.0 million, an increase of 18.0% from the previous year (2009: US\$239.8 million). This rise in gross profit can be attributed to increase in shipment volume and recovery in ASP. Gross profit margins fell slightly to 21.9% (2009: 23.8%), while our net profit margin fell 0.7 percentage points to 9.4% (2009: 10.1%).

During the year under review, the Group's cash flow remained stable as global markets recovered. Cash generated from operations for the year amounted to US\$73.1 million (2009: US\$144.6 million). The expansion strategy entailed an instrument in capital expenditure of US\$29.4 million in building additional capacity in inland China, resulting in a net outflow of US\$36.5 million in 2010.

Geographically, North America and Europe continued to be our two largest markets, accounting for 54.7% and 28.4% of the Group's total revenue during the reporting year. 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%.

BUSINESS REVIEW

Premium Position in the Value Chain Reinforces Margins

Our reputation as a supplier of quality footwear placed Stella in a strong position to capitalise on resurgent consumer demand in 2010. This reputation is underpinned by our strong design and development capabilities which enabled us to quickly develop new types of products which add value to our customers. One recent example of this was the development of physiological shoes which target well-being.

This unique value-adding proposition ensured that the Group's order book ran at close to full capacity for most of the year, allowing Stella to attract a higher ASP than the industry average. The higher unit price also allowed us to gradually recover our margins ahead of other manufacturers.

Long-term Partnership with Luxury and Premium Brands

Stella's commitment to craftsmanship, innovation, short lead times and small batch production ensured that we remained a long-term partner for top footwear brands around the world. Many of these partners are luxury and niche brands which require suppliers to respond quickly to their specific needs and specifications, while still providing a quality product. Our strength in both these areas enabled us to broaden our customer portfolio year after year, as more international brands outsource production.

During the year under review, Stella's top five customers accounted for 55.2% of our total revenue (2009: 57.9%). Our client base currently includes several leading footwear brands, as well as six of the world's top ten casual footwear companies. We were successful in adding more high-end brands and niche players to our customer base throughout the year.

Optimisation of Cost Structure and Production Capacity

We are well advanced in implementing our plans to counter the twin challenges of capacity constraints and wage inflation, with the Group's factories in Dongguan and Vietnam operating at close to full capacity throughout the year.

As the first step of our 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 our overall strategy to shift more labour intensive processes away from coastal regions in order to control manufacturing 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 the meantime, the Group proactively raised the basic pay rate of our workers at the beginning of this year in order to pre-empt a government sanctioned increase of the minimum wage in the PRC. These measures relieved short to mid-term pressure on the stability of our workforce, resulting in a higher worker retention rate than other manufacturers.

Retail Business Contributes to Overall Profitability

Our retail businesses recorded its second full-year profit in 2010 following a profitable 2009, further cemented its place in the Chinese high-end women fashion market. Reaching this milestone in less than five years of operation is a significant achievement and a testament to the strong know-how of our retail team, as well our passion to deliver the right products to Chinese consumers.

As part of our ongoing store expansion strategy, we opened 25 *Stella Luna* and 39 *What For* stores throughout China and the region. *Stella Luna* is the Group's retail brand targeting the high-end fashion footwear and leather goods markets, with prices ranging from RMB1,000 to RMB2,800 a pair. Our *What For* brand targets the contemporary and lifestyle markets, with prices ranging from RMB600 to RMB1,500 a pair.

We also opened three more UGG stores in Shenyang and Shanghai this year as part of our joint venture with Deckers Asia Pacific Limited. We hope that this partnership, which is now entering its third year, will be the first of many that will increase Stella's brand offering.

Stella currently oversees a total of 172 *Stella Luna* and 152 *What For* stores in China and the surrounding region. The majority of these stores (in Greater China and Thailand) are operated directly by the Group, while our stores in the Philippines, Lebanon and the United Arab Emirates are operated by our distributors in those countries.

The following table shows the geographic distribution of our *Stella Luna* and *What For* stores as of 31 December 2010:

	<i>Stella Luna</i>	<i>What For</i>
Greater China		
Eastern China	35	28
Southern China	27	19
Northern China	31	37
North-East China	20	19
South-West China	16	20
Central China	16	20
Taiwan	3	0
	<hr/>	<hr/>
Sub-total	148	143
	<hr/>	<hr/>
Thailand		
Bangkok	11	8
Phuket	2	0
	<hr/>	<hr/>
Sub-total	13	8
	<hr/>	<hr/>
Philippines	4	1
Lebanon	6	0
United Arab Emirates	1	0
	<hr/>	<hr/>
Total	<u>172</u>	<u>152</u>

BUSINESS OUTLOOK

Continued Capacity Expansion through Specialised Manufacturing Hubs

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

Over the next few years, we envisage 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 us to further optimise our operations, counter wage inflation and secure a stable labour supply. We are also prudently exploring several options, including buying out suitable acquisition target in Indonesia, to further extend our manufacturing operations and lower input costs.

Strong Order Pipeline in Face of Global Economic Recovery

We expect our manufacturing operations and order book to remain at close to full capacity in 2011 as global economic recovery continues to fuel consumer demand. ASP is also expected to increase slightly as margin pressures continue to dissipate. We also expect to generate further demand through tighter partnerships with our global partners.

Potential challenges in the coming year include the appreciation of the RMB, ongoing inflation and a mismatch between seasonality and capacity. To counter this, we will continue to implement cost-control measures to preserve our margins and sustain growth.

Enhanced Design and Development Capabilities to Maintain Position on Value Chain

We are committed to further developing ways to reinforce our ability to meet the specialised needs of our customers and maintain the quality and craftsmanship of our products. We will continue to invest heavily in our R&D capabilities over the coming year in order to better collaborate with our partners and increase the value of our products.

In 2011, we plan to establish our own design studio in Italy, which will enable us to move closer to global fashion trends and respond more quickly to the needs and specifications of our high end fashion customers.

Continued Expansion of Home-Grown Retail Brands

Ongoing economic expansion and social mobility in China, alongside the rising willingness of customers to recognise and pursue quality, will continue to stimulate demand for Stella's retail offering in China. As a result, we are confident that there is still significant space for further expansion of our home-grown *Stella Luna* and *What For* brands in the coming year.

We will continue to pursue further growth through store expansions, same-store sales and space expansion in order to enhance the Group's overall revenue mix. China will remain the primary focus of this expansion, although we will consider opportunities for strategic growth in other regional markets as opportunities emerge.

With the Group's home-grown *Stella Luna* and *What For* brands continuing to operate at a profit, we are also considering a number of opportunities to introduce and add new brand names to our retail business.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2010, the Group had cash and cash equivalents of about US\$383.5 million (2009: US\$425.2 million).

As at 31 December 2010, the Group had current assets of US\$792.6 million (2009: US\$755.9 million) and current liabilities of about US\$187.9 million (2009: US\$157.1 million). The current ratio (which is calculated on the basis of current assets over current liabilities) was 4.2 as at 31 December 2010 which indicated the Group's high liquidity and healthy financial position.

BANK BORROWINGS

The Group did not have any bank borrowings as at 31 December 2010 (2009: Nil).

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2010, 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 and RMB. Currency exposures were mostly denominated in RMB and Hong Kong dollars against the functional currency of the relevant Group company. The Group has not adopted formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the year under review.

CAPITAL EXPENDITURE

During the year under review, the Group's total capital expenditure amounted to approximately US\$29.4 million, of which approximately US\$25.8 million was used in the production capacity expansion and approximately US\$3.6 million was used for the expansion of the retail store network.

PLEDGE OF ASSETS

As at 31 December 2010, the Group had not pledged any of its assets (2009: Nil).

CONTINGENT LIABILITIES

As at 31 December 2010, the Group had no material contingent liabilities.

EMPLOYEES

As at 31 December 2010, the Group had approximately 64,000 employees (2009: approximately 50,000). Stella cultivates a caring, sharing and learning culture among our employees and believes that human resources are significant assets to our future development and expansion. We actively attract, train and retain individuals who are energetic, committed to and passionate for our business.

We have continued to build a strong management team internally through effective learning and promotion programs, including our "Leadership Program" that was launched in 2010 to identify potential high caliber employees, to assess the quality of our senior management and ultimately to determine appropriate remuneration and other human resources related measures.

To cope with the labour shortage issue and the PRC government's increase of the minimum wage, the Group raised the basic pay rate of the workforce in February 2010, together with the granting of restricted unit awards under the long term incentive scheme of the Company, in order to maintain labour force stability. As of 31 December 2010, our recruitment efforts remain satisfactory, despite the labour shortage.

DIVIDEND

The Board recommended the payment of a final dividend of HK53 cents per ordinary share to shareholders of the Company (the "Shareholders") for the year ended 31 December 2010. The proposed final dividend, amounting to approximately US\$54.0 million, will be paid to Shareholders whose names appear on the register of members of the Company on 6 May 2011, if the proposal is approved by the Shareholders at the forthcoming annual general meeting. It is expected that the final dividend will be paid on or about 20 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4 May 2011 to 6 May 2011 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend for the year ended 31 December 2010 and attending and voting at the forthcoming annual general meeting, 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 4:00 p.m. on 3 May 2011.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and complied with the code provisions of the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules throughout the year ended 31 December 2010 except the deviation from code provision E.1.2 of the Code as follows:

For code provision E.1.2 of the Code, Mr. Chiang Jeh-Chung, Jack, the chairman ("Chairman") of the Board, had not attended the annual general meeting of the Company held on 7 May 2010 (the "2010 AGM"), but Mr. Shih Takuen, Daniel, the deputy chairman (the "Deputy Chairman") of the Board, took the chair at the 2010 AGM, and the chairman or member of each of the Audit, Corporate Governance, Remuneration and Nomination Committees attended the 2010 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. 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. Shih Takuen, Daniel, is responsible for providing leadership and management to the Board and handling matters relating to investor relations and communication with the Shareholders. 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 the Shareholders. The Board will regularly review the effectiveness of the segregation of roles to ensure its appropriateness under the Group's prevailing circumstances. Save for the said deviation from the Code, the Group upholds a high standard of corporate governance and the Company has adopted practices for corporate governance which, the Directors believe, are of higher standard than that required under the Code in various aspects as more particularly described in the annual report of the Company to be dispatched to shareholders in due course.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“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 its 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 throughout the year ended 31 December 2010.

REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Board has reviewed the annual results of the Group for the year ended 31 December 2010.

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

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

By order of the Board
Stella International Holdings Limited
Chiang Jeh-Chung, Jack
Chairman

Hong Kong, 17 March 2011

As at the date of this announcement, the executive Directors are Mr. Chiang Jeh-Chung, Jack, Mr. Shih Takuen, Daniel, Mr. Chao Ming-Cheng, Eric, Mr. Chen Li-Ming, Lawrence and Mr. Chi Lo-Jen and the independent non-executive Directors are Mr. Chu Pao-Kuei, Mr. Ng Hak Kim, JP, Mr. Chen Johnny and Mr. Bolliger Peter.