[For immediate release]

Emerging Retail Business Reinforces Stella's Profitable Manufacturing Operations

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Challenging Year for Manufacturing Partially Offset by 85% Growth in Retail Gross Profit

Hong Kong, 18 March, 2010 – **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 2009.

Financial & Operational Highlights:

	For the year ended 31 December		Change (%)
(US$'000)	**2009**	**2008**	
Turnover	1,008,598	1,102,116	-8.5
Gross profit	239,806	262,559	-8.7
Profit before taxation	108,333	131,563	-17.6
Profit attributable to equity holders of the Company	102,168	124,993	-18.3
Basic earnings per share (US$)	0.129	0.155	-16.8
GP margin (%)	23.8	23.8	0.0 ppt
NP margin (%)	10.1	11.3	-1.2 ppt
Average selling price ("ASP") per pair (US$)	22.6	22.2	+1.8
Total shipment during the year (mn pairs)	42.7	48.4	-11.8
No. of retail stores	256	173	+83 stores

Results Summary

For the year ended 31 December 2009, the Group's consolidated total revenue was US$1,008.6 million, representing a year-on-year decline of 8.5%, while profit attributable to equity holders of the Company fell by 18.3% year-on-year to US$102.2 million. Basic earnings per share decreased by 16.8% year-on-year to US$0.129. This fall in revenue was mostly attributable to the continued weakness in export figures to the U.S. and Europe, where economic recovery remained slow.

During the year under review, total shipments fell 11.8% to 42.7 million pairs in 2009, compared with 48.4 million pairs sold in 2008. Despite this, the average selling price ("ASP") improved slightly to US$22.6 a pair, up 1.8% year-on-year, as the Group maintained its commitment of providing quality products to our export clients.

Gross profit for the year for the consolidated business was US$239.8 million, a decrease of 8.7% from 2008. Gross profit margins remained steady at 23.8%, while our net profit margin fell 1.2 percentage points to 10.1%. The lower profitability can be attributed to a one-off impairment loss of US$5.3 million in the year, as well as declining margin levels resulted from lower ASP in the second half of the year and higher cost of sales to cope with shorter lead time.

The Board proposed final dividend of HK40 cents per share and a special dividend of HK10 cents. Together with the interim dividend of HK30 cents per share paid (excluding special dividend), the Group's total dividend payout ratio was 69.9% for the full year of 2009.

Mr. Lawrence Chen, Chief Executive Officer of the Group said, "Despite the continued downturn in the export markets, our profitability has remained resilient due to our strong manufacturing capabilities and value-added services. This includes innovative design and development capabilities, short lead time and small batch production, delivering our customers strong flexibility and further enhancing our competitiveness."

Manufacturing Business

Although 2009 was a challenging year for Asian manufacturers, the Group continued to add more fashion names to its customer portfolio. However, the Group could not escape the aftereffects of the global recession which slowed consumer activity in the US and European markets.

Despite these challenges, all business segments continued to perform well, as the Group continued to offer maximum value, flexibility and quality to its customers. The women's fashion footwear business contributed 37.3% to the Group's total revenue, remaining its largest business segment. Contribution from the Group's women's and men's casual footwear business was 26.5% and 23.5% of overall revenue respectively, while the contribution from the men's fashion segment slightly decreased to 5.6%.

Geographically, North America and Europe continued to be the Group's two largest markets, accounting for 56.9% and 28.6% of the Group's total revenue for the reporting year respectively. This was followed by the PRC (including Hong Kong) at 7.2%, Asia (other than the PRC) at 4.3%, and other geographical regions at 3.0%.

During the year under review, the Group's manufacturing facilities in Dongguan, China and Vietnam continued to operate at close to full capacity. As part of its efforts to exercise stringent cost-controls, the Group continued to explore new production techniques throughout the year and source substitution materials and to keep production costs stable.

Retail Business

While the Group could not avoid the downturn in export activity, the Group was very successful in capturing the strong recovery of consumer demand in Mainland China which was supported by the strong stimulus policies of the Central Government. In the year under review, the Group opened 25 *Stella Luna* stores and 42 more *What For* stores in Mainland China.

2009 also saw the Group expanding its store network through regional distributors for the first time to the affluent Middle East market, with a total of 7 *Stella Luna* stores opening in Lebanon and the United Arab Emirates.

The Group's retail business turned profitable during the year under review, with retail revenue growing 75.0% to US$46.6 million. Same-stores sales grew a steady 23.3% to US$23.3 million, while gross profit attributable to the retail business grew a significant 84.6% to US$33.0 million.

People

The Group cultivates a caring, sharing and learning culture among its employees and believes that human resources are a significant asset for the Group's development and expansion. The Group seeks to attract, develop and retain individuals who are energetic and committed with a passion for our business. The Group will also continue to build a strong management team internally through effective learning and promotion programs, including a "Leadership Program" that has been launched in 2010 to identify potential high caliber employees, to assess the quality of senior management and ultimately to determine appropriate remuneration and other human resources related measures.

To cope with labor shortage issue, the Group is investing ahead of the curve. In anticipation of the government's increase of the basic rate, the Group has raised the base wage for its workforce starting from February, 2010, together with granting of restricted unit rewards under the long term incentive scheme of the company, to maintain labor force stability. As far as now the Group's recruitment remains satisfactory despite the fact of labor supply shortage.

Future Plans & Prospects

Going forward, the Group is confident of its ability to overcome the current weak export environment by continuing to play to its core strengths and servicing the increasingly specialized needs of its customers. In 2010, the Group plans to build its first design studio in Italy to further strengthen its R&D capabilities – a first for a Chinese manufacturer. This strategy will enable the Group to become closer to its Western customers and respond quickly to their individual needs and specifications.

The Group remains confident of a steady recovery in its manufacturing operations, as the export markets began to show signs of recovery in the second half of the year. As our order book improves, the Group predicts a moderate growth in export volumes in the coming year, as well as a mild decline in ASP.

In order to counteract increasing wage costs and other unfavorable factors, the Group plans to shift its more labor-intensive processes to more inland areas, in order to improve input costs and secure a stable labor supply. As part of this process, the Group is currently developing its first factory in Guangxi, and plans to adopt a three-pronged strategy for its production. The existing Dongguan facilities will focus on R&D and high-end development; the Vietnamese factories will serve European shipments; and the inland factories in Hebei and Guangxi will specialize in labour-intensive processes such as sewing. The Group also plans to expand its manufacturing capacity through organic growth, rather than through acquisitions

The Group also remains very optimistic about the prospects of the Chinese retail market, as sustainable economic development and social mobility support a growing demand for quality fashion footwear. This demand is also present in other developing economies in South-East Asia and the Middle East, which will remain key growth markets going forward as well.

In the coming year, the Group will maintain its store expansion strategy, targeting high growth in retail revenue through same-store sales and space expansions. It also plans to continue the expansion of its UGG-brand stores through the Group's joint-venture with Deckers. The Group will also prudently consider the potential acquisition of selected footwear and related accessories brands and businesses to further the expansion of its business.

"Our future prospects for the coming year look very positive as we continue to provide world-class manufacturing services and significantly ramp up our R&D capabilities in 2010. Our retail business will also continue to become an increasingly important part of our business and will contribute up to 20% of our turnover in the next 5 years. We are dedicated to growing with the success of our customers and delivering good returns for our shareholders," Mr. Jack Chiang, Chairman of the Group concluded.

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Consolidated Income Statement

For the year ended 31 December, 2009

	For the year ended 31 December	
	2009	2008
	US$'000	US$'000
Revenue	1,008,598	1,102,116
Cost of sales	(768,792)	(839,557)
Gross profit	239,806	262,559
Other income	10,994	13,172
Distribution and selling expenses	(57,391)	(57,169)
Administrative expenses	(44,863)	(47,552)
Research and development costs	(35,660)	(38,491)
Share of results of an associate	710	(986)
Impairment loss on interest in associates	(5,261)	-
Finance costs	(2)	-
Profit before tax	108,333	131,563
Income tax expense	(6,252)	(6,585)
Profit for the year	102,081	124,978
Attributable to:		
Equity holders of the Company	102,168	124,993
Minority interests	(87)	(15)
	101,370	124,978
Dividends	81,998	93,420
Earnings per share - Basic (US$)	0.129	0.155