[For Immediate Release]

Customer Restocking Supports Stella's Revenue & Volumes in 2014

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Group planning higher capacity utilisation in 2015 ahead of expected pick-up in demand

Hong Kong, 20 March, 2015 – **Stella International Holdings Limited** ("Stella" or the "Group"; SEHK: 1836), a leading developer, manufacturer and retailer of quality footwear and leather goods products, today announced audited annual results for the year ended 31 December 2014.

Financial & Operational Highlights:

	For the year ended 31 December		Change (%)
(US$'000)	**2014**	**2013**	
Turnover	**1,663,091**	1,541,471	7.9
Gross profit	**348,758**	353,142	-1.2
Profit before taxation	**135,811**	137,344	-1.1
Profit attributable to equity holders of the Company	**120,701**	122,656	-1.6
Basic earnings per share (US$)	**0.152**	0.155	-1.6
GP margin (%)	**21.0**	22.9	-1.9ppt
NP margin (%)	**7.3**	8.0	-0.7ppt
Average selling price ("ASP") per pair (US$)	**29.6**	28.3	4.6
Total shipment during the year (mn pairs)	**53.1**	50.8	4.5
No. of retail stores	**332**	376	-44 stores

Results Summary

The Group's consolidated revenue for the year ended 31 December 2014 rose 7.9% to US$1,663.1 million with shipment volumes rising 4.5% to 53.1 million pairs, as improving economic growth in some of our export markets, particularly the United States, incentivised many of our brand customers to restock throughout 2014. Gross profit across all business segments in the twelve months ended 31 December 2014 declined 1.2% to US$348.8 million due to the impact of inventory clearance and inventory write downs in our retail segment. Full year net profit attributable to equity holders of the Company decreased 1.6% to US$120.7 million.

The average selling price ('ASP') of our footwear products rose 4.6% to US$29.6 per pair due to higher raw material costs, particularly for leather. Our gross profit margin for the year declined to 21.0%, compared to 22.9% last year, while net profit margin fell to 7.3%.

We are pleased to announce a final dividend of HK55 cents per share. Together with the interim dividend of HK30 cents per share paid, our total dividend pay-out ratio for 2014 was almost 71.4%.

Mr. Lawrence Chen, Chief Executive Officer of the Group said, "We are pleased that our business benefited from increased restocking during the year under review and we expect demand for our footwear products to pick up in 2015 as economic recovery in the United States and Europe appears increasingly sustainable. At the same time, we will monitor potential risks to the global economy, particularly the emergence of deflation in some of our main export markets. We will continue to focus on strengthening our cost controls and improving the quality of our products to protect our long-term profitability.

Growing Share of Highly Competitive Global Footwear Market

Our share of the global premium footwear market was around 10.3% in the year ended 31 December 2013, compared to the combined 74.4% global market share of Italian, Spanish and Portuguese manufacturers – Europe's main high-end producers. We expect that our market share grew further during the year under review in line with our higher shipment volumes and declining shoe production volumes in countries such as Italy, where shoe production fell 2.5% to 197.1 million pairs in 2014.

High labour costs and aging labour force will continue to contribute to the declining market share of European manufacturers – a trend that will further strengthen our competitiveness in the market. Our competitiveness will also be supported by the future ratification of the Trans-Pacific Partnership, which will greatly reduce entry barriers to the United States market, particularly for our footwear products manufactured in Vietnam. Our ASP and flexibility such as short lead times and smaller batch size also continues to position favourably with European producers.

Consolidation of Manufacturing Base in Coastal China

Since 2007, we have steadily diversified and optimised our manufacturing base away from coastal China to inland provinces such as Hunan and Guangxi, as well as locations in South-East Asia such as Vietnam, Indonesia and Bangladesh. We have also established footholds in the Philippines and Myanmar during the year under review ahead of a potential expansion of manufacturing capacity to these locations in the near future. These steps have given us better control over labour costs and labour supply, which are both now significant challenges at our long-standing manufacturing base in Dongguan, China.

As we move into the final stages of this optimisation process – in particular, gaining the ability to manage more complex processes and higher pairs per hour using labour forces located outside of coastal China – we made the decision to consolidate our manufacturing capacity in Dongguan in order to reduce costs and preserve our profitability. This will allow us to concentrate our resources on expanding the Group's production capacity in inland China and South-East Asia. We are pleased to say that this has been achieved without any compromise in the quality and value-adding attributes of our footwear products.

During the year under review, women's fashion footwear continued to be our largest segment, contributing 40.0% of total revenue, while contributions from our women's and men's casual footwear segments were 22.2% and 21.5% respectively. The contribution from our men's fashion footwear segment was 10.3%.

Geographically, North America and Europe continued to be our two largest markets, accounting for 51.7% and 25.5% of total revenue during the year under review. This was followed by the PRC (including Hong Kong), which accounted for 14.0%, Asia (other than the PRC), which accounted for 6.5% and other geographical regions, which accounted for 2.3%.

Continued Expansion into New Value-adding Products

We have continued to expand our offering of fashion sneakers – a fashionable take on the traditional sports shoe – that have proven to be an extremely popular new business stream with our brand name customers. We have also continued to explore the manufacture of quality leather goods and fashion accessories, such as handbags, as an increasing number of fashion houses seek to outsource the production of accessories, as they did with footwear products in the past.

Restructure of Retail Business Nears Completion

During the year under review, we continued to see results from our ongoing strategy of growing the value of our brands by concentrating on standalone stores in prime locations, as well as expanding the number of points-of-sales in France. We also continued to close underperforming stores and make adjustments to our sales and operational strategy.

During the year under review, revenue from our retail business fell 17.7% to US$99.8 million, while same-store sales (in China only) fell 15.7% to US$71.7 million. The fall in retail revenue and same-store sales was mostly attributable to slowing economic growth in China, weaker consumer confidence, the heavy promotional retail environment as well as adjustments to our sales strategy in department stores. Our retail business recorded a net loss of US$5.1 million, which was mostly attributable to a write-down on inventory.

As of 31 December 2014, we operated a total 208 *Stella Luna* stores, 117 *What For* stores, 6 *JKJY by Stella* stores and 1 *Pierre Balmain* stores globally.

Ongoing Investments in Retail Business

We recently launched a number of official online stores in China: online stores for *Stella Luna*, *JKJY by Stella* and *Pierre Balmain* on VIPLUX - a Chinese luxury online retail platform - and online flagship stores for *Stella Luna* and *What For* on Tmall. These stores will mostly retail off-season merchandise in a cost- efficient manner, enabling us to reduce our reliance on department stores for the clearance of off-season products, which normally negatively affected our margins. The online flagship stores will also provide our retail customers with official channels to buy Stella products online and will go some way towards combating the presence of pirated products online.

We also launched an online store based in France to boost the visibility and availability of the Group's retail products in Europe during the year under review.

The response to our brands in France continues to be highly encouraging, with our products now available at 28 points of sales across the country, including flagship stores on Boulevard Saint-Germain and Rue Saint-Honoré in Paris, as well as counters at famous department stores such as Galeries Lafayette and Le Printemps. Many fashion celebrities in the US and Europe have showed consistent interest in *Stella Luna*'s new season collections with talented European designer Anthony Vaccarello, which have been featured in a number of international media and worn by celebrities including Charlotte Gainsbourg, Ciara Harris and Rosie Huntington-Whiteley. Our contemporary and modern brand *What For* continued to see better traffic, sales conversions as well as profitability at store level.

Mr. Stephen Chi, CEO of the Group's retail business said, "The expanding of points of sales for our retail products in Europe is continuing to broaden and strengthen the global recognition and desirability of our brands, particularly in China. We have also undertaken a number of different strategies to offset the impact of slowing economic growth and waning consumer confidence on our retail business in China, including closing a number of underperforming counters, making changes to our merchandising and operational strategy and scaling-back our participation in department stores discounts."

<u>Future Plans & Prospects</u>

We are cautiously optimistic about the demand for our footwear products as economic recovery in the United States and Europe appears increasingly sustainable. However, we expect some customers, particularly in Europe, to continue to maintain a conservative outlook as they digest the European Central Bank's decision to start quantitative easing and the impact of the recent Greek financing gap. With that being said, we expect a good pick up in orders in 2015 as we strive to fulfil customer demand.

In order to cater for this expected pick up in orders, we are targeting an expansion of our overall manufacturing capacity by the end of 2015. We believe this can be achieved without increasing the size of our workforce due to improving utilisation rates at our inland facilities and through the re-energising of our production process, which includes reducing our reliance on indirect labour and increasing efficiency.

We will continue to invest in R&D to increase the quality and value-adding attributes of our footwear products, while strictly upholding current cost control measures and initiatives to improve productivity, flexibility and efficiency at our manufacturing facilities. We will also further explore the feasibility and growth potential of new business streams, including the manufacture of quality leather goods, which will help us deepen our relationships with customers.

We also remain highly focused on improving the long-term profitability and competitiveness of our retail business, while placing a greater priority on growing the brand equity we have already built with China's upwardly mobile consumers over the past few years in order to stay differentiated from our competitors and to preserve our price premium.

Mr. Jack Chiang, Chairman of the Group, concluded, "Although a number of risks continue to cloud the short-to-medium outlook for our business, we remain cautiously optimistic about our prospects in 2015. We also expect our capital expenditure requirements will decline in the coming years as our new manufacturing facilities in inland China and South-East Asia comes mostly online. This will enable us to progressively return more cash to shareholders, without comprising our ability to produce value-adding products for our customers."

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Consolidated Income Statement
For the year ended 31 December, 2014

	For the year ended 31 December	
	2014	2013
	US$'000	US$'000
Revenue	**1,663,091**	1,541,471
Cost of sales	**(1,314,333)**	(1,188,329)
Gross profit	**348,758**	353,142
Other income	**12,265**	19,285
Other gains and losses	**(4,754)**	2,388
Distribution and selling expenses	**(92,691)**	(116,885)
Administrative expenses	**(75,133)**	(71,862)
Research and development costs	**(52,644)**	(48,693)
Share of results of associates	**351**	206
Interest on bank borrowing wholly repayable within 5 years	**(341)**	(237)
Profit before taxation	**135,811**	137,344
Income tax expense	**(15,566)**	(14,528)
Profit for the year	**120,245**	122,816
Attributable to:		
Owners of the Company	**120,701**	122,656
Non-controlling interests	**(456)**	160
	120,245	122,816
Earnings per share - Basic (US$)	**0.152**	0.155