

[For immediate release]



## Stella Launches New Retail Brand, Supporting Resilient 2Q Performance

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*Retail revenue +25% in 2Q; debuts three JKJY men's footwear stores in China*

Hong Kong, July 12, 2012 – Stella International Holdings Limited (“Stella”, or together with its subsidiaries, the “Group”; SEHK: 1836), a leading designer, manufacturer and retailer of quality footwear products, today announced its unaudited second quarter business update for the three months and six months ended 30 June 2012.

### **Financial & Operational Highlights:**

	For the three months ended 30 June (Unaudited)		For the six months ended 30 June (Unaudited)	
	2012	2011	2012	2011
Revenue (US\$ million)				
- Manufacturing	<b>378.9</b>	377.3	<b>637.2</b>	644.2
- Retail business in China	<b>30.5</b>	24.4	<b>54.6</b>	41.7
Average selling price per pair (manufacturing) (US\$)	<b>30.5</b>	27.7	<b>27.9</b>	24.8
Total shipment during the period (mil pairs)	<b>12.4</b>	13.6	<b>22.9</b>	26.0
No. of retail stores in China (As at 30 June)				
- <i>Stella Luna</i>			<b>203</b>	160
- <i>What For</i>			<b>186</b>	156
- <i>JKJY</i>			<b>3</b>	-

The Group recorded an unaudited consolidated revenue (including the Group's manufacturing business, China retail business, inter-segment sales eliminations and other businesses not covered hereof) of approximately US\$409.6 million and US\$684.4 million for the three months and six months ended 30 June 2012. This represented an increase of approximately 2.9% and 1.8% as compared to the unaudited consolidated revenue of the corresponding periods of last year.

The increase in revenue is mostly attributable to the resilient performance of the Group's retail business, which continued to offset temporary capacity constraints on production caused by the rationalisation of the Group's production base, the termination of one trade-

processing factory in Dongguan and the control of overtime labour hours, in accordance with the Group's long-term strategy.

Revenue from the manufacturing business grew 0.4% for the three months ended 30 June 2012 and declined 1.1% for the first six months of the year. Shipment volumes from the manufacturing business declined 8.8% and 11.9% over the same periods due to a slowdown in global demand and the temporary capacity restraints. The average selling price ("ASP") of the Group's footwear products rose 12.5% to US\$27.9 per pair in the first half, which was mostly attributable to the inflation of input costs, further recognition of the quality of the Group's footwear products, as well as ongoing improvements to the Group's product mix.

The Group expects to further rationalise its manufacturing base in the second half of the year, ramping up additional manufacturing capacity in the Group's new Guangxi, Hunan and South-East Asian facilities. This is expected to coincide with a pick-up in demand for the Group's fashion footwear products in the second half of the year.

The Group's retail business has performed well in the second quarter of this year, with sales reaching US\$30.5 million and US\$54.6 million in the three months and six months ended 30 June 2012, up 25.0% and 30.9% respectively. Same store sales increased 2.8% in the second quarter. As of 30 June 2012, the Group operated 203 *Stella Luna* stores and 186 *What For* stores in China. The Group also opened three stores under the Group's new *JKJY* brand in Shanghai and Beijing. Total stores under operation in China are up 24.1% from the same period of last year.

The Group will continue to expand its retail business in China in the second half of the year to capture the growing demand for high quality and fashionable footwear. The Group also plans to take its retail brands global later this year and open its first *Stella Luna* store in Paris.

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group's performance, "We are satisfied with the Group's performance so far this year and the progress we have made in rationalising our production base. As our new plants increase production, we are well placed to meet future demand for high quality footwear."

Commenting on the outlook for the Group's businesses, Mr. Jack Chiang, Chairman of the Group, said, "Despite the worsening economic outlook in markets such as Europe, we are cautiously optimistic that demand for Stella's value-adding footwear products will grow in the short and medium term. We will continue to back-up the strong positioning of our business through innovation, commitment to quality and through our strong relationship with clients."

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