

[For immediate release]



Stella Secures Satisfactory Start to 2013

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Retail revenue up 19.9%, shipment volumes increase 5.7% y-o-y in 1Q

Hong Kong, April 11, 2013 – 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 first quarter business update for the three months ended 31 March 2013.

Financial & Operational Highlights:

	For the three months ended 31 March (Unaudited)	
	<u>2013</u>	<u>2012</u>
Revenue (US\$ million)		
- Manufacturing	267.3	258.3
- Retail business in China	28.9	24.1
Average selling price per pair (manufacturing) (US\$)	24.1	24.7
Total shipment during the period (mil pairs)	11.1	10.5
No. of retail stores in China (As at 31 March)	401	373
- <i>Stella Luna</i>	209	196
- <i>What For</i>	181	177
- <i>JKJY by Stella</i>	9	-
- <i>Pierre Balmain</i>	2	-

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\$291.3 million (2012: US\$274.8 million) for the three months ended 31 March 2013. This represented a 6.0% increase compared to the unaudited consolidated revenue of the corresponding period of last year. The increase in revenue was mostly attributable to the resilient performance of our overall business.

Revenue from our manufacturing operations in the first three months of the year rose 3.5% to US\$267.3 million, while the average selling price (“ASP”) of our products fell 2.4% to US\$24.1 per pair. The decline in ASP is mostly attributable to lower raw material prices,

which was partially off-set by further recognition of the quality of our products and improvements to product mix.

Shipment volumes in the three months ended 31 March 2013, up 5.7% to 11.1 million pairs, compared to the corresponding period of last year. This was primarily due to the continued ramp-up of our new manufacturing facilities in inland China and Indonesia, which helped remove the temporary capacity constraints that were present during the corresponding period of last year.

Looking forward, the Group will continue to shift our manufacturing capacity to locations with labour and cost advantages, including its new facilities in inland China and South-East Asia, as well as to expand into new businesses such as leather goods. We will also evaluate expanding our manufacturing capacity to new locations, such as Bangladesh, to further optimise production allocation.

On the retail side, our *Stella Luna*, *What For*, *JKJY by Stella* and *Pierre Balmain* branded footwear products continued to attract new audiences in China and overseas during the period, with one of *Stella Luna's* recent collaborations with designer Anthony Vaccarello featured in *Vogue France* in March 2013.

Sales of our retail footwear products (in China only) reached US\$28.9 million in the three months ended 31 March 2013, up 19.9% from the corresponding period of last year. Same store sales grew 8.9% during the period under review.

We remain cautiously optimistic about the medium-to-long term growth potential for mid-to-upper tier footwear products in China. In order to secure our future competitiveness, we further refined our store network in China during the period under review. As of 31 March 2013, the Group operated a total of 209 *Stella Luna* stores, 181 *What For* stores, 9 *JKJY by Stella* stores and 2 *Pierre Balmain* stores in China.

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group's performance, "Our manufacturing business experienced a satisfactory start to the year due to gradual economic recovery in the United States. However, we remain mindful of weak economic conditions in Europe and the still-fragile global economy and will continue to adjust our businesses to meet these challenges."

Commenting on the outlook for the Group's businesses, Mr. Jack Chiang, Chairman of the Group, said, "2013 is likely to be another challenging year for the Group as we seek to further diversify our manufacturing base and optimise our retail business. Success in both these areas will greatly support our future competitiveness and ability to provide sustainable returns for shareholders."

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