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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)

BUSINESS UPDATE OF THE GROUP
FOR THE SECOND QUARTER OF 2010

The board (the “Board”) of directors (the “Directors”) of Stella International Holdings Limited (the “Company”) is pleased to update the business development of the Company and its subsidiaries (collectively, the “Group”) for the second quarter of 2010. This announcement is made pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

TOTAL CONSOLIDATED REVENUE

For the three months and six months ended 30 June 2010, the unaudited consolidated revenue of the Group (including the Group’s manufacturing business, China retail business, inter-segment sales eliminations and other businesses) was approximately US\$319.1 million and US\$543.8 million respectively, representing a growth of approximately 23.3% and 18.4% as compared to the same periods last year. The increase in total consolidated revenue is mostly attributable to the continuous recovery of export markets over the periods. Looking forward, the Group expects the total export volumes in 2010 to grow at a satisfactory pace, despite emerging challenges in some export markets. The Group also expects average selling price (“ASP”) to gradually increase in the second half of the year.

As wage pressure in southern China continues to rise, the Group is well advanced in implementing its cost efficiency measures to lower input costs and secure a stable labour supply. The Group has been prudently expanding its production capacity since the beginning of the year, in the inland areas of China and South East Asia, as well as strengthening its R&D capabilities to attract new business partners.

The Group’s retail business in China and other markets continued to be another growth driver. Same-store sales grew steadily over the period, in particular following the introduction of the Spring/Summer collection. In order to steadily diversify its overall revenue mix, the Group will continue to maintain its store expansion strategy and target high growth in retail revenue through same-store sales and space expansions. It will also continue to explore opportunities to develop new brands in order to target different market segments and widen its customer base.

* *For identification purpose only*

MANUFACTURING BUSINESS

An analysis of the revenue, quantity and ASP in relation to the manufacturing business of the Group for the three months and six months ended 30 June 2010 is shown in the table below:

	For the six months			For the three months		
	ended 30 June		Change	ended 30 June		Change
	<i>(Unaudited)</i>			<i>(Unaudited)</i>		
	2010	2009	(%)	2010	2009	(%)
Revenue (<i>US\$ million</i>)	516.6	438.8	17.7	304.6	247.2	23.2
Quantity (<i>million pairs</i>)	24.3	19.4	25.3	12.8	10.2	25.5
ASP (<i>US\$/pair</i>)	21.3	22.6	-5.8	23.8	24.3	-2.1

ASP declined in the three months and six months ended 30 June 2010, although such decline has narrowed down in the second quarter. The fall in ASP was mostly attributable to a reduction in raw material costs.

RETAIL BUSINESS IN CHINA

An analysis of the revenue in relation to the Group's retail operations in China for the three months and six months ended 30 June 2010, as well as the number of retail stores operated by the Group in China as of 30 June 2010 is shown in the table below:

	For the six months			For the three months		
	ended 30 June		Growth	ended 30 June		Growth
	<i>US\$ million</i>			<i>US\$ million</i>		
	2010	2009	(%)	2010	2009	(%)
Revenue	26.3	18.6	41.4	13.0	9.6	35.4
Same-stores-sales	13.1	11.5	13.9	6.6	5.8	13.8

Number of Stores	As at 30 June		Increase
	2010	2009	
<i>Stella Luna</i> stores	135	106	29
<i>What For</i> stores	116	75	41

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

Hong Kong, 15 July 2010

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, Mr. Shieh Tung-Pi, Billy and Mr. Chi Lo-Jen and the independent non-executive Directors are Mr. Chu Pao-Kuei, Mr. Ng Hak Kim, JP and Mr. Chen, Johnny.