[For immediate release]

Stella Maintains First Half Growth amid Global Slowdown

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Streamlining of manufacturing operations and high-quality products enhance competitiveness

Hong Kong, 16 August, 2012 – **Stella International Holdings Limited** ("Stella" or the "Group"; SEHK: 1836), a leading developer, manufacturer and retailer of quality footwear products, today announced its unaudited interim results for the six months ended 30 June 2012.

Financial & Operational Highlights:

	For the six months ended 30 June 2012		**Change (%)**
(US$'000)	**2012**	**2011**	
Turnover	683,107	672,099	1.6
Gross profit	169,517	164,618	3.0
Profit before taxation	73,155	68,526	6.8
Profit attributable to equity holders of the Company	66,557	64,906	2.5
Basic earnings per share (US$)	0.0840	0.0820	2.5
GP margin (%)	24.8	24.5	0.3ppt
NP margin (%)	9.7	9.7	-
Average selling price ("ASP") per pair (US$)	27.9	24.8	12.5
Total shipment during the period (mn pairs)	22.9	26.0	-11.9
No. of retail stores in China	392	316	76 stores

Results Summary

The Group performed resiliently during the first half of 2012, despite the challenging global economy. This is the result of the prudent rationalisation of its manufacturing operations, strong relationships with customers and higher recognition of its value-adding high-quality footwear products.

In the six months ended 30 June 2012, the Group's consolidated revenue rose 1.6%, compared to the same period of last year, to US$683.1 million. Pressure on the manufacturing business was partially offset by the growth of its retail business. The profit attributable to equity holders of the company rose 2.5% to US$66.6 million. Basic earnings per share for the period rose 2.5% to US$0.0840.

Shipment volumes fell 11.9% to 22.9 million pairs on a combination of slowing global demand and temporary capacity constraints. However, the average selling price ("ASP") of the Group's footwear products rose 12.5% to US$27.9 per pair due to the inflation of input costs, higher recognition of the Group's quality products and improvement in its product mix.

Revenue from the retail business grew 28.2%, compared to the first half of 2011, to US$55.5 million as the Group further expanded its network of *Stella Luna*, and *What For* stores and introduced its first *JKJY* stores.

Total gross profit for the first six months of the year was US$169.5 million, an increase of 3.0% year on year. This growth was mostly attributed to the growth of the Group's retail business and its value-adding production process.

The Board is pleased to announce an interim dividend of HK30 cents per share.

Mr. Lawrence Chen, Chief Executive Officer of the Group said, "Stella's performance held up resolutely in the first half of the year, despite the slowing global economy, thanks to our strong relationships with customers and unique position in the value chain. We are also pleased that our retail business is now large enough to support the adjustments we are currently making to our manufacturing business."

Manufacturing Business

Demand for the Group's high-end products remained stable as industry consolidation push an increasing number of brands to secure specialised suppliers such as Stella. This saw its manufacturing business running at close to full capacity during the first half of the year.

The Group also worked through a temporary shortfall in capacity following the closure of a trade-processing factory in Dongguan and stricter controls on overtime hours.

Women's fashion footwear continued to make up the largest segment of Stella's manufacturing business, contributing 36.4% to the Group's total revenue. Contributions from the men's and women's casual footwear segments were 24.1% and 22.5% of overall revenue respectively, while the contribution from the men's fashion footwear segment was 8.5%.

Geographically, North America and Europe continued to be Stella's two largest markets, accounting for 49.6% and 22.9% of the Group's total revenue in the first half of the year respectively. This was followed by Greater China which accounted for 19.4%, Asia (ex. Greater China) for 6.0%, and other regions for 2.1%.

Rationalisation and Diversification of Production Base

Stella continued to implement its long-term strategy of gradually shifting labour-intensive operations away from coastal regions to its new low-cost facilities in inland China and

South-East Asia. This will allow the Group to relieve long-term capacity constraints, secure a stable labour supply and control costs.

Strong Research and Design Capability Strengthening Long-term Competitiveness
Stella is one of the few footwear manufacturers positioned at the high end of the value chain. This enables the Group to attract a higher ASP than the industry average and attract continuous demand from luxury and niche clients. This positioning is rooted in Stella's commitment to quality, strong research and development capabilities, small-batch and customised production, short lead-times and on time delivery.

The Group operates two established design studios in Dongguan, China and Venice, Italy. Both host teams of exciting and experienced footwear designers, many of whom have worked with Europe's premier luxury fashion labels. This talent provides Stella's retail business with the experience and know-how to keep in step with, and contribute to, global fashion trends.

Retail Business
The Group's *Stella Luna* and *What For* retail brands further expanded points of sale in China and other markets during the first half of the year to remain at the forefront of the Chinese affordable luxury footwear market. Revenue from the retail business grew 28.2% to US$55.5 million in the first half of the year. Same store sales (for China stores only) grew at a slower pace than in previous years due to a high base, up of 8.7% to US$33.6 million.

The Group added a net 12 *Stella Luna* and 14 *What For* stores in China and across the region in the first half of the year. It also launched its first three *JKJY* stores in Beijing and Shanghai during the period, as part of its strategy to tap growing demand for high-end men's footwear products and diversify Stella's retail portfolio to cover more niche markets.

Mr. Stephen Chi, CEO of the Group's retail business said, "We are excited to introduce *JKJY*, our first luxury men's footwear brand, to the market this year and we look forward to further exploring other segments of the Chinese footwear market. Although the retail sector has slowed somewhat recently, we remained convinced about the long-term prospects of the Chinese affordable luxury footwear market."

Future Plans & Prospects
Stella expects demand for its customised footwear products to remain steady in the second half of the year despite global economic uncertainty. ASP is expected to fall in line with declining input costs, although this decline will be partially offset by Stella's continuous efforts to upgrade its product mix.

With a weak global economy likely to remain a challenge throughout the rest of the year, Stella will continue to implement strict cost controls in order to maintain margins and profitability. Risks associated with the fluctuation of input costs and RMB inflation is likely to remain lower than in previous years.

The Group will also ramp up production at its inland China and South-East Asian facilities in the second half of the year in order to remove current shortfalls on its production capacity.

Stella is cautiously optimistic about the strong medium-to-long term growth potential of the Chinese footwear market, particularly for mid to upper-tier products. In order to capture these future opportunities, the Group will prudently refine its retail network in the second half of the year.

Stella also plans to open its first *Stella Luna* store in Paris in the fourth quarter of the year.

Mr. Jack Chiang, Chairman of the Group concluded, “With the global economy likely to remain weak in the foreseeable future, we will continue to work hard to improve the quality of our products and remain our customers’ partner of choice. As a result of the prudent steps we are taking to rationalise our manufacturing operations and tap more retail segments in China, we believe Stella will remain in a strong position to deliver sustainable returns.

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Consolidated Income Statement

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012	2011
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Revenue	**683,107**	672,099
Cost of sales	**(513,590)**	(507,481)
Gross profit	**169,517**	164,618
Other income	**8,141**	4,978
Other gains and losses	**13,627**	405
Distribution and selling costs	**(60,617)**	(47,261)
Administrative expenses	**(34,350)**	(30,505)
Research and development costs	**(23,395)**	(20,133)
Finance cost	**(49)**	
Share of results of an associate	**281**	(3,576)
Profit before taxation	**73,155**	68,526
Income tax expense	**(6,632)**	(3,689)
Profit for the period	**66,523**	64,837
Attributable to:		
Equity holders of the Company	**66,557**	64,906
Minority interests	**(34)**	(69)
	66,523	64,837
Earnings per share - Basic (US$)	**0.0840**	0.0820