[For Immediate Release]

Stella Repositions for Long-term in First Half of 2013

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Increases revenue despite challenging environment; second retail store in Paris to open by year-end

Hong Kong, 15 August, 2013 – **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 2013.

Financial & Operational Highlights:

	For the six months ended 30 June 2013		Change (%)
(US$'000)	**2013**	**2012**	
Turnover	**697,552**	683,107	2.1
Gross profit	**164,734**	169,517	-2.8
Profit before taxation	**56,287**	73,155	-23.1
Profit attributable to equity holders of the Company	**50,261**	66,557	-24.5
Basic earnings per share (US$)	**0.0634**	0.0840	-24.5
GP margin (%)	**23.6**	24.8	-1.2ppt
NP margin (%)	**7.2**	9.7	-2.5ppt
Average selling price ("ASP") per pair (US$)	**26.9**	27.9	-3.6
Total shipment during the period (mn pairs)	**23.8**	22.9	3.9
No. of retail stores	**439**	445	-6 stores

Results Summary

The first half of 2013 saw the Group face a number of challenges including sluggish economic recovery and unseasonal weather in Europe and the United States, as well as slowing economic growth in China. Despite this, Stella grew revenue and shipment volumes during the period under review.

In the six months ended 30 June 2013, the Group's consolidated revenue rose by 2.1%, compared to the same period of last year, to US$697.6 million, with both its manufacturing and retail businesses growing at a slower pace. The profit attributable to equity holders of the company fell by 23.2% to US$50.3 million. Basic earnings per share for the period fell 24.5% to US$0.0634.

Shipment volumes rose by 3.9% to 23.8 million pairs, up from 22.9 million pairs, following the ramp-up of capacity at the Group's new manufacturing facilities in inland China and Indonesia. However, the average selling price ("ASP") of the Group's footwear products fell by 3.6% to US$26.9 per pair on the back of lower raw materials costs and the relocation of some manufacturing capacity to the Group's new manufacturing facilities.

Revenue from the retail business for the six months under review grew at a slower pace compared to the first half of 2012, up 8.1% to US$60.0 million, primarily due to weakening consumer confidence caused by slowing economic growth in China.

Total gross profit for the first six months of the year was US$164.7 million, a decline of 2.8% compared to the corresponding period of last year. This was primarily attributable to a combination of unseasonable weather, higher labour costs, inefficiencies arising from the relocation of manufacturing capacity and the weak global economy.

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

Mr. Lawrence Chen, Chief Executive Officer of the Group said, "The external operating environment was very challenging in the first half of the year. Although our profitability has weakened in the short-term, our continued commitment to quality and to working together with our customers will leave us well placed for when demand recovers."

Manufacturing Business Preserves Strong Long-term Customer Relationships

Stella's manufacturing business continued to be underpinned by the Group's readiness to work together with its clients to overcome any challenges they are facing. This remained especially true in the first of half of 2013, as many customers focused on managing inventory and seasonal mismatches.

Women's fashion footwear remained the largest segment of Stella's manufacturing business, contributing 34.0% to the Group's total revenue. Contributions from the men's and women's casual footwear businesses were 19.9% and 27.0% of overall revenue respectively, while the contribution from the men's fashion footwear segment was 10.6%.

Geographically, North America and Europe continued to be the Group's two largest markets, accounting for 47.1% and 25.9% of the Group's total revenue in the first half of the year respectively. This was followed by the PRC (including Hong Kong) which accounted for 19.2%, Asia (other than the PRC) for 5.3%, and other geographical regions which accounted for 2.5%.

Continued Initiatives to Diversify and Develop Production Base

The Group continued to position the manufacturing business for the long-term as it relocated and ramped-up capacity at its new production facilities – supporting a gradual rise in shipment volumes during the first half of the year. The Group also set up a new leather goods division to further diversify its product base.

However, this process resulted in some short-term inefficiencies that impacted the Group's performance in the first half of the year, as it continued to adjust to long-term challenges such as rising labour costs.

Rationalisation of Retail Business

The Group's retail business was impacted by weakening consumer sentiment in China during the first half of the year, in response to the widely reported credit-crunch and the Central Government's downward revision of economic growth targets.

In order to position the retail business for the long-term, the Group has been gradually consolidating its store network, closing some stores in sub-optimal locations including in selected department stores, in favour of standalone stores at quality locations.

During the period under review, the Group closed a net 4 *Stella Luna* store and 18 *What For* stores in China.

Growing Domestic and International Profile of Retail Brands

The Group's flagship brand *Stella Luna* has steadily built an international profile since the opening of its first European store in Paris in late 2012, having featured in a number of international media. Closer to home, the Group's first male-focused retail brand *JKJY by Stella* continued to steadily grow its profile in China since its introduction in 2012, supported by its eye-catching and memorable flagship stores. The Group also continued to invest and grow its *Pierre Balmain* joint venture during the period under review.

Mr. Stephen Chi, CEO of the Group's retail business said, "We are excited about the buzz we are creating overseas following the opening of *Stella Luna*'s first European store and hope to attract similar attention to our other brands later this year with the launch of our first *What For* store in Paris."

Future Plans & Prospects

The Group expects demand for its products in the United States and Europe in the second half of the year to be affected by unseasonal weather and slow economic growth, as its manufacturing customers adopt a more cautious approach to inventory.

In order to partially mitigate the impact of demand fluctuation, the Group will continue to implement strict cost-controls and measures to increase productivity in order to maintain margins and profitability.

On the retail side, the Group plans to open its first *What For* store in Paris, preluding the re-launch of *What For* in the second half of the year. It will also continue to prudently consolidate its store network in the second half of the year to set a solid foundation for future growth and success.

Mr. Jack Chiang, Chairman of the Group concluded, "The current volatile business environment is likely to continue during the second half of the year and we are proactively fine-tuning our business to adjust to these conditions. This includes taking steps to further improve the level of craftsmanship carried out by our workforces at our new manufacturing facilities in order to strongly position the manufacturing business for the long-term. We will also continue to optimise our retail business in China in the second half of the year in readiness for a recovery in consumer confidence."

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Consolidated Income Statement

For the six months ended 30 June 2013

	For the six months ended 30 June	
	2013	2012
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Revenue	**697,552**	683,107
Cost of sales	**(532,818)**	(513,590)
Gross profit	**164,734**	169,517
Other income	**5,380**	8,141
Other gains and losses	**(1,733)**	13,627
Distribution and selling costs	**(60,042)**	(60,617)
Administrative expenses	**(29,255)**	(34,350)
Research and development costs	**(22,805)**	(23,395)
Share of profit of associates	**75**	281
Interest on bank borrowings wholly repayable within 5 years	**(67)**	(49)
Profit before tax	**56,287**	73,155
Income tax expense	**(5,561)**	(6,632)
Profit for the period	**50,726**	66,523
Attributable to:		
Owners of the Company	**50,261**	66,557
Non-controlling interests	**465**	(34)
	50,726	66,523
Earnings per share - Basic (US$)	**0.0634**	0.0840