

[For immediate release]



## Resilient Retail Business Helps Stella Sustain its Business in 1Q 2012

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*Retail revenue in China +40% YoY; total revenue +1% despite challenges*

Hong Kong, April 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 first quarter business update for the three months ended 31 March 2012.

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

	For the three months ended 31 March (Unaudited)	
	<b><u>2012</u></b>	<b><u>2011</u></b>
Revenue (US\$ million)		
- Manufacturing	<b>258.3</b>	266.9
- Retail business in China	<b>24.1</b>	17.2
Average selling price per pair (manufacturing) (US\$)	<b>24.7</b>	21.6
Total shipment during the period (mil pairs)	<b>10.5</b>	12.4
No. of retail stores in China (As at 31 March)		
- <i>Stella Luna</i>	<b>196</b>	149
- <i>What For</i>	<b>177</b>	145

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\$274.8 million (2011: US\$272.9 million) for the three months ended 31 March 2012. This represented a slight increase of approximately 1% as compared to the unaudited consolidated revenue of the corresponding period of last year. The increase in revenue is mainly due to the satisfactory performance of the Group’s retail business in China, which was partially offset by temporary effects on the Group’s manufacturing capacity. These include 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 our long-term strategy.

Revenue from the Group’s manufacturing operations in the first three months of the year declined 3.2% to US\$258.3 million, although the Group’s average selling price (“ASP”) rose

14.4% to US\$24.7 per pair. The rise in ASP is 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 its product mix.

Shipment volumes fell 15.3% to 10.5 million pairs in the three months ended 31 March 2012, which was mostly due to economy uncertainties, as well as a temporary shortfall in capacity due to the rationalisation of the Group's production base, the termination of one trade processing factory in Dongguan and the control of overtime labour hours.

Looking forward, the Group expects the demand for its customised footwear products to remain stable in 2012, despite challenges in some export markets. The Group's current high position in the value chain will be further enhanced as the Group upgrades its manufacturing capacity and capabilities in South East Asia, while shifting and expanding manufacturing capacity in its new Guangxi and Hunan facilities.

Stella's retail business performed resiliently in the first three months of the year. Sales for the Group's *Stella Luna* and *What For* branded footwear products (in China only) reached a collective US\$24.1 million during the three months of the year, an increase of 40.1%. Same store sales grew 16.7% during the period. As of 31 March 2012, the Group operated 196 *Stella Luna* stores and 177 *What For* stores in China, an increase of 26.9% compared to the first three months of 2011.

Mainland China will remain the Group's primary focus for expanding its retail business this year as it targets the country's growing number of mid-to-upper class consumers. As part of its efforts to expand into markets for different types of footwear products, the Group also plans to open its first stores for its new in-house label, *JKJY*, in the second quarter of this year. The Group also plans to take its retail brands global this year, opening its first *Stella Luna* store in Paris.

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group's performance, "Stella experienced a solid start to the year thanks to our value-adding products and diligent cost control. We hope to translate these qualities into further revenue growth and shareholder value as we increase capacity at our new facilities in inland China and South East Asia."

Commenting on the outlook for the Group's businesses, Mr. Jack Chiang, Chairman of the Group, said, "2012 is set to be an exciting year for the Group, with the launch of our new fashion brand, *JKJY*, and the opening of our first *Stella Luna* store in Europe. However, with the global economic outlook still uncertain, our focus will still be on enhancing our key qualities of innovation, responsiveness and commitment to clients in order to maintain a strong and sustainable business."

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