

[For immediate release]



Stella Achieves Steady Growth in 2008 Third Quarter Results

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Turnover and Net Profit Increased by 17.5% and 6.6% Respectively

Hong Kong, 20 November, 2008 – **Stella International Holdings Limited** (“Stella” or the “Group”; SEHK: 1836), a leading developer and manufacturer of quality footwear products, today announced its unaudited third quarter results for the nine months ended 30 September 2008.

Financial & Operational Highlights:

(US\$'000)	For the three months ended 30 September		For the nine months ended 30 September	
	2008	2007	2008	2007
Turnover	331,790	285,103	825,516	702,428
Gross profit	77,311	68,420	193,681	164,949
Profit before taxation	44,419	43,198	102,522	95,411
Profit attributable to equity holders of the Company	41,511	40,962	97,137	91,155
Basic earnings per share (US cents)	5.1	5.2	12.0	13.9
GP margin (%)	23.3%	24.0%	23.5%	23.5%
NP margin (%)	12.5%	14.4%	11.8%	13.0%
Average selling price per pair (manufacturing) (US\$)	25.1	21.5	22.4	19.6
Total shipment during the period (mil pairs)	13.2	13.2	36.1	35.4
No. of retail stores	164	74	164	74

Results Summary

The Group recorded turnover of US\$331.8 million for the three months ended 30 September 2008, representing year-on-year growth of 16.4%, coupled with a 13.0% increase in gross profit which totaled US\$77.3 million. Net profit of the Group increased by 1.3% on a year-on-year basis and reached US\$41.5 million during the period. The increase in revenue was attributable to the improvement in average selling price (“ASP”), driven by sales mix changes, organic growth driven by women’s and men’s fashion footwear businesses as well as the steady demand of quality footwear products from our premium global brand owners and customers.

For the three months ended 30 September 2008, the Group’s shoe sales maintained at the same level of 13.2 million pairs as compared to same period last year, and the ASP increased by 16.7% to US\$25.1 per pair.

For the first three quarters in 2008, the Group recorded a turnover of approximately US\$825.5 million, signifying a year-on-year growth of 17.5%. Gross profit and net profit for the first nine months of 2008 reached approximately US\$193.7 million and US\$97.1 million respectively, representing a 17.4% and 6.6% of growth as compared to the last corresponding period.

Commenting on the Group’s results, Mr. Chiang Jeh-Chung, Jack, the Chairman of the Group, said, “The global economic turmoil has imposed difficulties on every industry. However, with our dedicated efforts in strengthening the value-added services and stringent cost control, we are able to maintain a steady growth in the first three quarter of 2008.”

Manufacturing Business

During the period under review, the Group’s manufacturing facilities in Guangdong, China and Vietnam continued to operate at full capacity. Women’s fashion footwear continued to be the major revenue contributor of the Group and generated 37.0% of the Group’s total revenue. There was a balanced mix in men’s casual and women’s casual footwear segments, which contributed 25.6% and 25.1% to the overall revenue respectively.

In August 2008, the Group completed the acquisition of 40% of the issued share capital of Cosmic Gold Enterprise Ltd. at a total consideration of US\$16.8 million, which will further increase the Group’s total annual production capacity by 2 million pairs to meet the future demands.

Retail Business

The performance of the Group's two retail brands, *Stella Luna* and *What For*, continued to deliver satisfactory results during the period under review. For the three months ended 30 September 2008, the Group's retail sales amounted to US\$6.7 million, representing an impressive growth of 157.7%. Gross profit and operating profit achieved year-on-year growth by 135.6% and 48.8% to US\$4.8 million and US\$1.1 million respectively. The same-store-sales of China in the third quarter of 2008 was US\$3.8 million, representing an increase of 22.4% as compared to same period last year. For the first nine months of 2008, revenue, gross profit and operating profit from retail operation were US\$18.1 million, US\$13.5 million and US\$3.0 million respectively, representing increases of 181.4%, 171.9% and 207.3% respectively from the year-ago period.

As of 30 September 2008, the Group had a total of 93 *Stella Luna* stores in all major cities in the Greater China region and 13 in Thailand. The Group also operates 58 *What For* stores in the Greater China region.

Future Plans & Prospects

For the manufacturing business, the Group's turnover in October 2008 recorded US\$80.7 million, representing an increase of 32.0% as compared to October 2007. Total shipment in October 2008 went up 13.4% to 3.6 million pairs while ASP increased by 16.4% to US\$22.7 per pair.

The Group is in the process of identifying more cost-effective locations for the possible relocation of its production facilities in view of the escalating manufacturing costs in the PRC. The expansion of the Vietnam facilities is progressing well and the new production facilities are expected to increase the annual capacity by an additional 2 million pairs to 10 million pairs by 2010. The new manufacturing facility in Huizhou is expected to commence operation in the fourth quarter of 2008. With the new facilities in place, the Group's total annual capacity is expected to reach 50 million pairs by the end of 2008.

The retail sales in October 2008 reached approximately US\$3.0 million, representing an increase of 81.5%. The same-stores sales of China in October 2008 was US\$2.2 million, representing a 12.9% growth as compared to last October. The Group is confident that the development of its retail operation in the PRC will be on track to meet the stated target of having over 160 sales points by the end of 2008.

On the other hand, the Group's joint venture with Deckers for the opening of retail stores and wholesale distribution of footwear under the UGG Australia® brand in the PRC is progressing well. It is expected that the JV company will open one retail store in Beijing by the end of 2008.

Mr. Lawrence Chen, Chief Executive Officer of the Group said, "In the context of challenging operating environment, we will continue to increase our operating efficiency and move up the value chain by enhancing our design, engineering and development capabilities, adopting more stringent cost control and migrating our production base to lower costs location. We believe these value-added measures will help protect our profit margins and leave us well-equipped to weather any upcoming challenges."

"We are passionate about our business and are guided at all times by our unwavering motto of 'making the best shoes'. In order to further strengthen our leadership position in the footwear industry, we will continue to explore potential strategic partnerships that will create added value and synergistic benefits to our existing business." Chairman Mr. Chiang Jeh-Chung, Jack concluded.

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Condensed Consolidated Income Statement

(For the three-month and nine-month period ended 30 September 2008)

	For the three-month period		For the nine-month period	
	ended 30 September		ended 30 September	
	2008	2007	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
Revenue	331,790	285,103	825,516	702,428
Cost of sales	<u>(254,479)</u>	<u>(216,683)</u>	<u>(631,835)</u>	<u>(537,479)</u>
Gross profit	77,311	68,420	193,681	164,949
Other income	1,748	6,942	8,656	11,259
Selling and distribution costs	(13,166)	(10,397)	(36,111)	(26,498)
Administrative expenses	(12,986)	(12,653)	(39,452)	(30,290)
Research and development costs	(8,055)	(8,796)	(23,312)	(23,611)
Share of results of associates	(433)	--	(940)	--
Finance costs	<u>--</u>	<u>(318)</u>	<u>--</u>	<u>(398)</u>
Profit before tax	44,419	43,198	102,522	95,411
Taxation	<u>(2,912)</u>	<u>(2,258)</u>	<u>(5,373)</u>	<u>(4,316)</u>
Profit for the period	<u>41,507</u>	<u>40,940</u>	<u>97,149</u>	<u>91,095</u>
Attributable to:				
Equity holder of the Company	41,511	40,962	97,137	91,155
Minority interests	<u>(4)</u>	<u>(22)</u>	<u>12</u>	<u>(60)</u>
	<u>41,507</u>	<u>40,940</u>	<u>97,149</u>	<u>91,095</u>
Earnings per share – basic (US cents)	<u>5.1</u>	<u>5.2</u>	<u>12.0</u>	<u>13.9</u>