

For immediate release



Stella Announces 2009 Interim Results

* * * * *

*Healthy Margins and Stronger Core Competence
Amid the Challenging Environment*

Hong Kong, 20 August, 2009 – **Stella International Holdings Limited** (“Stella” or the “Group”; SEHK: 1836), a leading developer and manufacturer of quality footwear products, today announced its unaudited results for the six months ended 30 June 2009.

Financial & Operational Highlights:

(US\$'000)	For the six months ended		Change (%)
	30 June		
	2009	2008	
Turnover	459,174	493,726	-7.0
Gross profit	113,529	116,370	-2.4
Profit before taxation	50,450	58,103	-13.2
Profit attributable to equity holders of the Company	47,518	55,626	-14.6
Basic earnings per share (US\$)	0.060	0.069	-13.0
GP margin (%)	24.7	23.6	+1.1 ppt
NP margin (%)	10.3	11.3	-1.0 ppt
Average selling price (“ASP”) (US\$ / pair)	22.6	20.9	+8.1%
Total shipment during the year (mn pairs)	19.4	23.0	-15.7%
	At 30 June 2009	At 31 December 2008	Change
No. of retail stores in Greater China	182	159	+23 stores

Results Summary

In the first half of 2009, the consumer confidence of the market remained lackluster as a result of the global financial crisis although the market has shown signs of recovery. Faced with a challenging operating environment, the Group recorded turnover of US\$459.2 million for the six months ended 30 June 2009, representing year-on-year decline of 7.0%. Profit attributable to equity holders decreased by 14.6% to US\$47.5 million, while shipment totaled at 19.4 million pairs, representing a decrease of 15.7% year on year.

Despite market uncertainties, the average selling price (“ASP”) increased by 8.1% to US\$22.6 per pair as a result of the Group’s unique value-added services and excellent craftsmanship. The Group was also able to maintain healthy gross profit margin of 24.7%, representing an improvement of 1.1 percentage points over same period last year. The Board declared an interim dividend of HK30 cents per share.

Mr Lawrence Chen, Chief Executive Officer of the Group said, “We expect the low order visibility is likely to continue to depress the industry in the second half of the year. However, the Group will continue to strengthen our core competence by providing quality products and services, which include short lead time, small batch production and innovative design and development abilities, that allow customers to enjoy higher flexibility and increase their market share.”

Manufacturing Business

During the first half of 2009, the Group’s women’s fashion footwear business continued to be the largest business segment, contributing 36.7% to the Group’s total revenue, followed by women’s and men’s casual footwear businesses, which contributed 28.0% and 23.3% respectively to the Group’s overall revenue.

Geographically, North America and Europe continued to be the Group’s two largest markets, accounting for 52.5% and 33.0% respectively of the Group’s total revenue for the reporting period, followed by Greater China at 7.3%, Asia (excluding Greater China) at 4.9% and other geographical regions at 2.3%

The number of shoes manufactured in the first half of 2009 fell by 15.7% to 19.4 million pairs from 23.0 million pairs in the corresponding period last year as a result of smaller orders and shorter lead time from customers coping with slowing market conditions in the US and Europe. In spite of that, the Group’s production facilities in China’s Guangdong province and Vietnam continued to operate at a high level of capacity utilisation, contributing to a stable operating margin for the Group’s manufacturing business.

To stay competitive, the Group has implemented stringent controls on operating costs and overheads. The processing agreement with Huizhou Stella Footwear Co., Ltd. in late

2008 has provided the Group with additional flexibility in managing operating costs through adjusting the subcontract volume.

Retail Business

Backed by the relatively vibrant retail market in the PRC, the Group's retail business had achieved healthy growth during the period under review. *Stella Luna* and *What For*, the two brands of the Group, have received overwhelming response in the consumer market.

For the six months ended 30 June 2009, revenue from retail operations recorded a year-on-year growth of 75.4% to US\$20.0 million. While operating profit margin remained stable at 13.3%, same-stores-sales recorded significant growth of 33.0% during the period under review.

To feed on the growing appetite for higher-end women fashion footwear, the Group continued its store expansion plan in tier one cities in the PRC. As of 30 June 2009, the Group owned and operated a total of 107 *Stella Luna* stores and 75 *What For* stores in the Greater China, representing an increase of 8 and 15 stores for *Stella Luna* and *What For* respectively as compared to the end of last year.

Riding on the success of the *Stella Luna* and *What For* brands, the Group has invested more resources in marketing and brand building during the period under review to further raise market awareness and reputation of its brands in the market.

Future Plans & Prospects

Looking forward, the Group is confident that it can maintain its competitiveness with its continuous effort in moving up the value chain, and its ability to meet customers' needs regardless of their operating environment. To keep up with future demands and sustain growth, the Group will further increase its annual production capacity while keeping a tight rein on product quality, craftsmanship, production costs and production efficiency.

In view of the encouraging results of the retail segment in the first half of 2009, it is expected that the contribution of the retail segment to the Group's overall revenue mix will be increased going forward. The Group will continue to expand its retail operations with prudence, and target to set up an additional of 15 *Stella Luna* stores and 27 *What For* stores in Greater China by the end of 31 December 2009. At the same time, the Group will strive to enhance same-store growth by improving its operating efficiency. The Group will also explore opportunities for the development of new brands to widen its customer base, as well as other potential strategic partnership opportunities.

"We believe our unrivalled capability in providing our business partners with products and services of the best quality will help shield us from the current economic storm.

Meanwhile, we will keep a tight rein on product quality, craftsmanship, production costs and production efficiency to maintain healthy margins and ASP. We look forward to delivering a more flourishing results and creating better returns for our shareholders in the long run.” Mr. Jack Chiang, Chairman of the Group concluded.

####

For further information, please contact Hill and Knowlton Asia Ltd.:-

Crystal Yip Tel: (852) 2894 6211 / 9720 6445; crystal.yip@hillandknowlton.com.hk

Agnes Suen Tel: (852) 2894 6251 / 9050 5406; agnes.suen@hillandknowlton.com.hk

Consolidated Income Statement

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009	2008
	US\$'000	US\$'000
Revenue	459,174	493,726
Cost of sales	<u>(345,645)</u>	<u>(377,356)</u>
Gross profit	113,529	116,370
Other income	6,516	6,908
Selling and distribution costs	(27,020)	(22,945)
Administrative expenses	(23,000)	(26,466)
Research and development costs	(16,758)	(15,257)
Impairment loss on goodwill	(3,303)	-
Share of results of an associate	487	(507)
Finance costs	<u>(1)</u>	<u>-</u>
Profit before tax	50,450	58,103
Income tax expense	<u>(2,968)</u>	<u>(2,461)</u>
Profit for the period	<u>47,482</u>	<u>55,642</u>
Attributable to:		
Equity holders of the Company	47,518	55,626
Minority interests	<u>(36)</u>	<u>16</u>
	<u>47,482</u>	<u>55,642</u>
Dividends	<u>51,248</u>	<u>62,296</u>
Earnings per share - Basic (US\$)	<u>0.060</u>	<u>0.069</u>