

[For immediate release]



## Stella Reaches Full Speed in Second Quarter

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*2Q revenue up 23.3%; management proactively plans for the future*

Hong Kong, July 15, 2010 – Stella International Holdings Limited (“Stella”, or together with its subsidiaries, the “Group”; SEHK: 1836), a leading designer and manufacturer of quality footwear products, today announced its unaudited second quarter business update for the three and six months ended 30 June 2010.

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

	For the three months ended 30 June (Unaudited)		For the six months ended 30 June (Unaudited)	
	2010	2009	2010	2009
Revenue (US\$ million)				
- Manufacturing	<b>304.6</b>	247.2	<b>516.6</b>	438.8
- Retail business in China	<b>13.0</b>	9.6	<b>26.3</b>	18.6
Average selling price per pair (manufacturing) (US\$)	<b>23.8</b>	24.3	<b>21.3</b>	22.6
Total shipment during the period (mil pairs)	<b>12.8</b>	10.2	<b>24.3</b>	19.4
No. of retail stores in China (As at 30 June)			<b>251</b>	181

The Group recorded an unaudited consolidated revenue (including the Group’s manufacturing business, China retail business, inter-segment sales eliminations and other businesses) of approximately US\$319.1 million and US\$543.8 million for the three and six months respectively ended 30 June 2010. This represented an increase of approximately 23.3% and 18.4% as compared to the unaudited consolidated revenue for the corresponding period last year. The growth in revenue was mostly attributed to continued strong expansion of its retail business and the steady recovery of export markets over the periods.

As export markets continued to recover, the Group’s shipment volumes rose 25.5% from 10.2 million pairs in the second quarter of 2009 to 12.8 million pairs in the second quarter of 2010. Shipment volumes for the six months ended 30 June 2010 were up 25.3% from the corresponding period last year. Revenue from the Group’s manufacturing business continued to grow strongly, up 23.2% and 17.7% respectively in the three and six months ended 30 June 2010. The average selling price (“ASP”) for the Group’s footwear products

fell 5.8% to US\$21.3 per pair in the six months ended 30 June 2010, compared to US\$22.6 in the same period last year. This decline, although narrower in the second quarter, was due to a reduction in raw material costs.

Looking forward, the Group expects export volumes to grow at a satisfactory pace, despite emerging challenges in some export markets. The Group also expects its ASP to gradually increase in the second half of the year.

As wage pressure in southern China continues to rise, the Group is well advanced in implementing its cost efficiency measures to lower input costs and secure a stable labour supply. Since the beginning of the year, the Group has been prudently expanding its production capacity in the inland areas of China and South-East Asia, as well as strengthening its R&D capabilities to attract new business partners.

The Group's retail business in China and other markets continued to be another major growth driver. For the three and six months ended 30 June 2010, sales from the Group's retail business (in China only) reached US\$13.0 million and US\$26.3 million respectively, an increase of 35.4% and 41.4% compared to the corresponding periods last year. Same-store sales grew a steady 13.8% for the three-month period under review, particularly after the introduction of the Spring/Summer collection.

In order to steadily diversify its overall revenue mix, the Group will continue to maintain its store expansion strategy and target high growth in retail revenue through same-store sales and space expansions. It will also continue to explore opportunities to develop new brands in order to target different market segments and widen its customer base. As of 30 June 2010, the Group operated 135 *Stella Luna* stores and 116 *What For* stores in China.

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group's strategy, "Our order visibility has improved significantly over the last six months as our export markets continued to recover. However, we are mindful of emerging challenges appearing on the horizon and we are already actively transferring our production bases to low-cost centres. We will also continue to work closely with our long-standing brand partners to ensure that our production costs remain stable."

Commenting on the outlook for the Group's businesses, Mr. Jack Chiang, Chairman of the Group, said, "As governments in our export markets begin to scale back their stimulus packages, we remain cautiously optimistic about the outlook for our exports. We believe our retail business will continue to grow strongly, enabling us to further diversify our business and deliver more value to our shareholders."

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