

[For immediate release]



Stella's Retail Expansion Strategy Underlines Strong Growth in 2Q

* * * * *

Retail revenue up 82.1% in 2Q; expanded production capacity increases shipment volumes; joint-venture with Balmain Group to expand Group's retail offering

Hong Kong, July 14, 2011 – 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 second quarter business update for the three months and six months ended 30 June 2011.

Financial & Operational Highlights:

	For the three months ended 30 June (Unaudited)		For the six months ended 30 June (Unaudited)	
	2011	2010	2011	2010
Revenue (US\$ million)				
- Manufacturing	377.3	304.6	644.2	516.6
- Retail business in China	24.4	13.4	41.7	26.3
Average selling price per pair (manufacturing) (US\$)	27.7	23.8	24.8	21.3
Total shipment during the period (mil pairs)	13.6	12.8	26.0	24.3
No. of retail stores in China (As at 30 June)				
- <i>Stella Luna</i>			160	135
- <i>What for</i>			156	116

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\$394.0 million and US\$667.9 million for the three months and six months ended 30 June 2011. This represented an increase of approximately 23.2% and 22.7% as compared to the unaudited consolidated revenue of the corresponding periods of last year.

The growth in revenue is attributable to Stella's ongoing efforts to rationalise its manufacturing operations and progressively expand production to facilities located in inland areas of China. The increase in revenue was also supported by the impressive performance of Stella's retail business following the launch of its Spring and Summer collection.

Buoyed by the Group's expanded capacity, shipment volumes rose 6.3% to 13.6 million pairs in the second quarter, while increasing 7.0% in the six months ended 30 June 2011. This led revenue from the Group's manufacturing operations to rise 23.9% and 24.7% to US\$377.3 million and \$644.2 million respectively for the three months and six months ended 30 June 2011. The average selling price ("ASP") of the Group's footwear products rose 16.7% to US\$24.8 per pair in the second half of the year, which was mostly attributable to rising input costs and further recognition of the quality of Stella's products.

Looking forward, the Group expects to further expand its production capacity as it brings its inland manufacturing facilities online. The Group will also continue to implement its plans to expand its Vietnam manufacturing facilities, while expanding its foothold in Indonesia.

Demand for Stella's customised footwear products is expected to remain strong with the Group's order book remaining at close to full capacity. However, the Group will continue to prudently monitor the impact of the slowing US economic recovery, the European debt crisis and the ongoing effects of the recent Japanese calamities on global export demand but remains confident that its operations will remain mostly unaffected.

Stella's retail business performed extremely well in the second quarter, with sales (in China only) reaching US\$24.4 million in the three months ended 30 June 2011, up 82.1% for the same period of last year. Sales for the first six months of the year rose 58.6% to US\$41.7 million. The Group's highly successful Spring and Summer collection ensured continued engagement with its customers, with same-store sales up 51.7% in the second quarter. As of 30 June 2011, the Group operated 160 *Stella Luna* stores and 156 *What For* stores in China.

In May 2011, the Group entered into a joint-venture arrangement with Balmain Asia Limited, a wholly owned subsidiary of Balmain S.A. (Paris), further expanding Stella's retail offerings. As part of this joint-venture, the Group plans to open retail stores for *PIERRE BALMAIN* branded footwear in major cities across China. This is the second such joint-venture entered into by Stella, following its ongoing joint-venture with Deckers Outdoor Corporation to distribute and retail *UGG Australia*[®] footwear in China.

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group's performance, "We are beginning to see the pay-off from our investment in capacity in inland areas of China, allowing us to better balance volume growth with product quality. This strategy enabled us to deliver more products without compromising on our ability to deliver high-quality footwear or lower our unique position in the value chain."

Commenting on the outlook for the Group's businesses, Mr. Jack Chiang, Chairman of the Group, said, "We are particularly excited about the opportunity to further expand our fast-growing retail offerings through our joint-venture with Balmain, one of our manufacturing partners. We will continue to work closely with our other partners with a view to deepen our relationships in order to further grow our manufacturing and retail businesses."

####

For further information, please contact:

College Hill

Matthew Schultz
Tel: +852 3791 2032
Email: matthew.schultz@collegehill.com.hk

Dickson Lam
Tel: +852 3791 2286
Email: dickson.lam@collegehill.com.hk