

[For immediate release]



## Strong China Retail Sales Delivers Resilient Growth to Stella in 3Q despite Global Economic Uncertainty

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*Retail sales continues to contribute more to Group's performance, +60% in first nine months of 2011*

Hong Kong, October 13, 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 third quarter business update for the three months and nine months ended 30 September 2011.

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

	For the three months ended 30 September (Unaudited)		For the nine months ended 30 September (Unaudited)	
	2011	2010	2011	2010
Revenue (US\$ million)				
- Manufacturing	<b>455.5</b>	419.2	<b>1,099.7</b>	935.8
- Retail business in China	<b>21.5</b>	13.2	<b>63.2</b>	39.5
Average selling price per pair (manufacturing) (US\$)	<b>31.8</b>	26.5	<b>27.3</b>	23.3
Total shipment during the period (mil pairs)	<b>14.3</b>	15.8	<b>40.3</b>	40.1
No. of retail stores in China (As at 30 September)				
- <i>Stella Luna</i>			<b>178</b>	140
- <i>What For</i>			<b>166</b>	133

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\$466.1 million (2010: US\$426.3 million) and US\$1,138.2 million (2010: US\$970.8 million) for the three months and nine months ended 30 September 2011. This represented an increase of approximately 9.3% and 17.2% as compared to the unaudited consolidated revenue of the corresponding periods of last year.

The growth in revenue is attributable to Stella's efforts to rationalise its manufacturing operations and stabilise its workforce, as well as the strong growth of its retail business.

Revenue from the Group's manufacturing operations in the three months and nine months ended 30 September 2011 rose 8.7% and rose 17.5% to US\$455.5 million and \$1,099.7 million respectively, with the Group's average selling price ("ASP") rising 17.2% to US\$27.3 per pair in the first nine months of the year. The rise in ASP is mostly attributable to growing recognition of the quality of the Group's footwear products, as well as improvements to the Group's product mix. Shipment volumes fell slightly to 14.3 million pairs in the third quarter, while increasing 0.5% in the nine months ended 30 September 2011.

Looking forward, the Group will also continue to optimise its manufacturing operations in China and Vietnam to secure a stable workforce and combat inflation. This includes shifting more production to the Group's new manufacturing facilities in inland China. The Group also expects demand for its footwear products to remain stable throughout the final months of the year, despite the uncertain outlook in the US and Europe.

Stella's retail business continued to perform strongly over the periods under review, with sales of the Group's *Stella Luna* and *What For* branded footwear products (in China only) reaching US\$21.5 million and US\$63.2 million respectively during the three months and nine months ended 30 September 2011, an increase of 62.9% and 60.0%. Same-store sales also rose 30.0% during the third quarter of the year. As of 30 September 2011, the Group operated 178 *Stella Luna* stores and 166 *What For* stores in China.

The Group will continue to maintain its store expansion strategy in order to further tap growing demand from Chinese consumers for luxury footwear products, as well as to further enhance revenue mix through same-store sales and space expansions. The Group will also continue to explore opportunities, including joint-ventures, to develop or distribute new brands which target untapped retail markets in China – particularly men's sport fashion and segments of the premium market.

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group's performance, "Despite the challenges being encountered in our export markets, our brand partners continue to recognise the quality of Stella's footwear products, as well as our value-adding manufacturing capabilities. We expect our order book to remain at close to full capacity throughout the rest of the year and will be making additional investments in people and infrastructure. We will also put extra effort into streamlining and integrating our operations with a view to increase productivity, efficiency and quality of management."

Commenting on the outlook for the Group's businesses, Mr. Jack Chiang, Chairman of the Group, said, "We will continue to monitor the current economic uncertainties in the US and Europe closely and work with our brand partners to increase the competitiveness of their products at the retail level through better design and quality. We are confident in our ability to sustain the demand for our value-adding products. Combined with the excellent performance of our retail business, we will continue to work hard to sustain and grow our value for shareholders."

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