

[For immediate release]



## Stella to Further Penetrate China's Footwear Market

\* \* \* \* \*

*Group revenue +15.4% in 2011; introduces JKJY, the Group's new in-house men's footwear label*

Hong Kong, January 12, 2012 – 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 fourth quarter business update for the three months and year ended 31 December 2011.

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

	For the three months ended 31 December (Unaudited)		For the year ended 31 December (Unaudited)	
	2011	2010	2011	2010
Revenue (US\$ million)				
- Manufacturing	<b>323.3</b>	299.3	<b>1,423.0</b>	1,235.1
- Retail business in China	<b>31.8</b>	22.9	<b>95.1</b>	61.4
Average selling price per pair (manufacturing) (US\$)	<b>26.3</b>	22.7	<b>27.1</b>	23.2
Total shipment during the period (mil pairs)	<b>12.3</b>	13.2	<b>52.6</b>	53.3
No. of retail stores in China (As at 31 December)				
- <i>Stella Luna</i>			<b>194</b>	145
- <i>What For</i>			<b>182</b>	143

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\$354.0 million (2010: US\$322.9 million) and US\$1,492.8 million (2010: US\$1,293.5 million) for the three months and year ended 31 December 2011. This represented an increase of approximately 9.6% and 15.4% as compared to the unaudited consolidated revenue of the corresponding periods of last year. The growth in revenue is attributable to the Group's efforts to continuously improve its manufacturing operations and its unique ability to serve luxury and premium brands.

Revenue from the Group's manufacturing operations in the three months and year ended 31 December 2011 rose 8.0% and rose 15.2% to US\$323.3 million and \$1,423.0 million respectively, with the Group's average selling price (“ASP”) rising 15.9% to US\$26.3 per pair

in the final three months of the year. The rise in ASP is mostly attributable to further recognition of the quality of the Group's footwear products, as well as improvements to the Group's product mix.

Shipment volumes fell 6.8% to 12.3 million pairs in the three months ended 31 December 2011, while falling 1.3% to 52.6 million pairs for the year ended 31 December 2011 as the Group continued to shift production to inland areas of China and reduce the overtime hours of its production workers – resulting in a temporary shortfall in production capacity.

Looking forward, the Group will also continue to optimise its manufacturing operations in China, Vietnam and Indonesia to secure a stable workforce and combat inflationary pressures, as well as to grow production capacity in the medium term. The Group also expects demand for its footwear products to remain stable in the first half of 2012, despite the uncertain global economic outlook.

Stella's retail business continued to perform well during the period under review, despite experiencing a cyclical slowdown following China's "Golden Week" celebrations and the late start to the winter season in 2011. Sales for the Group's *Stella Luna* and *What For* branded footwear products (in China only) reached US\$31.8 million and US\$95.1 million respectively during the three months and year ended 31 December 2011, an increase of 38.9% and 54.9%. Same store sales rose 22.2% during the final three months of the year. As of 31 December 2011, the Group operated 194 *Stella Luna* stores and 182 *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 expansion. The Group will also continue to explore opportunities, including introducing new in-house brands or joint-ventures, to develop or distribute new brands which target untapped retail markets in China. It has recently introduced *JKJY*, Stella's new in-house label offering affordable luxury men's footwear, at its 2012 Spring-Summer fashion show. The Group expects to open its first *JKJY* store in Beijing at Sanlitun in the first quarter of 2012.

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group's performance, "The Group continued to perform well in the last few months of the year, despite the slowing global economy and the diversification of our manufacturing operations into inland China. As our new facilities in inland China come online, we expect to benefit from greater efficiency and more stable workforce, which will deliver strong value for our shareholders."

Commenting on the outlook for the Group's businesses, Mr. Jack Chiang, Chairman of the Group, said, "Despite the increasing economic uncertainties in Europe, we are confident that demand for our products will remain steady in the coming year due to our ability to meet the specific needs of our brand clients, superior quality and our high position in the value chain. We also look forward to further growing our retail business in China and delivering good results across all our businesses in 2012."

####

*For further information, please contact:*

**College Hill**

Matthew Schultz

Tel: +852 3791 2032

Email: matthew.schultz@collegehill.com

Vinita Wan

Tel: +852 3791 2286

Email: vinita.wan@collegehill.com