

[For immediate release]



Stella's China Retail Business Reports Steady Growth in Q3

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Manufacturing revenue slows in Q3; Group continuing to focus on quality and productivity

Hong Kong, October 17, 2013 – 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 2013.

Financial & Operational Highlights:

	For the three months ended 30 September (Unaudited)		For the nine months ended 30 September (Unaudited)	
	2013	2012	2013	2012
Revenue (US\$ million)				
- Manufacturing	455.9	480.2	1,096.6	1,117.4
- Retail business in China	25.3	23.3	83.7	77.8
Average selling price per pair (manufacturing) (US\$)	31.9	32.9	28.8	29.8
Total shipment during the period (mil pairs)	14.3	14.6	38.1	37.5
No. of retail stores in China (As at 30 September)				
- <i>Stella Luna</i>			203	212
- <i>What For</i>			140	189
- <i>JKJY by Stella</i>			12	6
- <i>Pierre Balmain</i>			2	1

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\$473.3 million (2012: US\$490.2 million) and US\$1,169.2 million (2012: US\$1,174.6 million) for the three months and nine months ended 30 September 2013. This represented a decline of approximately 3.5% and approximately 0.5% respectively as compared to the unaudited consolidated revenue of the corresponding periods of last year.

Revenue from our manufacturing operations fell 5.1% and 1.9% respectively in the three and nine months ended 30 September 2013, as the Group faced headwinds from uneven economic recovery in the United States and Europe. Shipment volumes in the three months

under review fell 2.1% to 14.3 million pairs due to slower demand from our brand customers during the period, while shipment volumes rose 1.6% to 38.1 million pairs in the nine months under review as we continued to progressively ramp-up capacity at our new production facilities in inland China and Indonesia.

The average selling price (“ASP”) of our footwear products fell 3.0% to US\$31.9 per pair in the three months ended 30 September 2013 due to falling raw material costs and the relocation of some capacity to our new manufacturing facilities.

We continue to consolidate and optimize our mature and new retail portfolios, as well as to strengthen our brand positioning during the periods under review, with sales of our *Stella Luna*, *What For* and *JKJY by Stella* and *Pierre Balmain* branded footwear products (in China only) rising 8.6% and 7.6% respectively to US\$25.3 million and US\$83.7 million respectively in the three and nine months ended 30 September 2013. Same store sales grew 7.3% during the third quarter of 2013. As of 30 September 2013, the Group operated 203 *Stella Luna* stores, 140 *What For* stores, 12 *JKJY by Stella* stores and 2 *Pierre Balmain* stores in China.

Looking forward, we expect demand for our footwear products to be subdued as brand customers continue to adopt a cautious approach to inventory as a result of unseasonal weather in the United States and Europe, slow economic growth and uncertainty around events such as the recent government shutdown in the United States. We will continue to focus on improving quality and productivity while implementing strict cost-controls, in order to fulfill customer expectation and partially offset rising cost pressure.

We will also continue to prudently refine and optimise our retail store network during the rest of 2013 to support our future competitiveness. We also intend to further bolster the global positioning of our brands by opening our first *What For* store in the Le Marais district of Paris by the end of the year. We also plan to open a second *Stella Luna* store in Paris.

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group’s performance, “The business environment remained challenging in the third quarter of the year as customer orders continued to be constrained by uncertainty on how economic conditions will impact consumer sentiment in Europe and the United States. We remain committed to working closely with our brand clients to further strengthen the quality of our products and maintain our valued long-term relationships.”

Commenting on the outlook for the Group’s businesses, Mr. Jack Chiang, Chairman of the Group, said, “We welcome recent positive economic growth figures emerging from the United States and Europe; however, it will take time for the improving economy to be reflected in global footwear demand. We will continue to work hard to improve all facets of our business to ensure we can overcome any future challenges and deliver satisfactory returns to shareholders.”

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