[For immediate release]

Stella Interim Profit Rises on Improving Outlook

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Net profit attributable to shareholders +4.6% as global economy improves

Hong Kong, 14 August, 2014 – **Stella International Holdings Limited** ("Stella" or the "Group"; SEHK: 1836), a leading developer, manufacturer and retailer of quality footwear and leather goods products, today announced its unaudited interim results for the six months ended 30 June 2014.

Financial & Operational Highlights:

	For the six months ended 30 June 2014		Change (%)
(US$'000)	**2014**	**2013**	
Turnover	**722,612**	697,552	3.6
Gross profit	**154,619**	164,734	-6.1
Profit before taxation	**56,398**	56,287	0.2
Profit attributable to equity holders of the Company	**52,582**	50,261	4.6
Basic earnings per share (US$)	**0.0663**	0.0634	4.6
GP margin (%)	**21.4**	23.6	-2.2ppt
NP margin (%)	**7.3**	7.2	0.1ppt
Average selling price ("ASP") per pair (US$)	**28.4**	26.9	5.6
Total shipment during the period (mn pairs)	**23.7**	23.8	-0.4
No. of retail stores	**355**	439	-84 stores

Results Summary

The Group experienced improved momentum in the six months ended 30 June 2014, with cautious customer orders in the first quarter of the year being replaced by more active ordering activity in June 2014, in line with improving consumer sentiment in the United States and Europe.

Our consolidated revenue for the interim period rose 3.6% to US$722.6 million, while gross profit across all business segments declined 6.1% to US$154.6 million. Shipment volumes fell 0.4% to 23.7 million pairs, while the average selling price ("ASP") of our footwear products rose 5.6% to US$28.4 per pair. The rise in ASP was mostly attributable to rising input costs, particularly for leather.

Profit attributable to shareholders of the Company rose 4.6% to US$52.6 million, as better cost controls and efficiency, along with better economic conditions, partially offset the operational pressures which arose from lower utilisation during the first five months of 2014. Basic earnings per share for the six months ended 30 June 2014 rose 4.6% to US$0.0663.

We are pleased to announce an interim dividend of HK30 cents per share.

Mr. Lawrence Chen, Chief Executive Officer of the Group said, "Improving economic conditions in our primary export markets has started to be reflected in our financial performance and we were pleased to witness a pickup in customer orders towards the end of the interim period. Some risks remain however and we are continuing to maintain ongoing measures to strengthen our cost-controls and further improve the quality of our products."

Stabilising Manufacturing Base

We continued to expand production capacity at our manufacturing facilities in inland China, Vietnam and Indonesia in order to better position our manufacturing business for an expected upturn in orders in the second half of 2014. This also included making further investments in improving the capabilities of our workforces in these locations.

All segments of our manufacturing business performed satisfactorily during the six months under review. Women's fashion footwear continued to be the biggest contributor to overall revenue, at around 37.5% of total revenue. The contribution from the women's and men's casual footwear segments to the Group's overall revenue was 22.6% and 22.6% respectively, while the men's fashion footwear segment contributed around 10.1% of overall revenue.

Geographically, North America and Europe remained our two largest markets, accounting for 50.9% and 24.4% of the Group's total revenue respectively in the six months under review. This was followed by the PRC (including Hong Kong) accounting for 15.3%, Asia (other than the PRC) accounting for 5.9% and other geographic regions which accounted for 3.5%.

Continued Exploration of New Products and Business Streams

The six months under review saw a further expansion of our product range to include more lines of fashion sneakers – a fashionable take on the traditional sports shoe – which has become extremely popular among many fashion retailers.

We also continued to explore the manufacture of quality leather goods and fashion accessories, such as handbags, as more and more fashion brands seek to outsource the production of accessories as they have done for footwear products in the past.

Gradually Recovering Retail Business

We oversaw a modest improvement in the profitability of our retail business during the interim period after making further progress on the gradual restructure of our retail business. This included the further roll-out of a revamped store layout and design for *What For*, as well as the closure of stores in sub-optimal locations in favour of new standalone stores and shop-in-shops in quality locations.

Despite the improvement in profitability, revenue from the retail business fell 13.5% to US$51.9 million in the six months ended 30 June 2014. Same-stores sales (in China only) fell 8.6% during the six months under review to US$42.3 million, compared to US$46.3 million in the corresponding period of last year. The fall in revenue and same-store sales was mostly attributable to the ongoing consolidation of our store network, weakening economic growth and consumer confidence in China, as well as adjustments to our sales strategy in department stores.

As of 30 June 2014, we operated a total 216 *Stella Luna* stores, 124 *What For* stores, 12 *JKJY by Stella* stores and 3 *Pierre Balmain* stores globally.

Expanding Global Footprint of Retail Brands

Our *Stella Luna* and *What For* stores in Europe continued to perform well in the six months under review and experienced improved traffic and conversion ratios. During the same period, we also expanded the number of points of sales in France to 10, including counters at famous department stores including Galeries Lafayette and Le Printemps. We also launched an online store based in France, to boost the visibility and availability of the Group's retail products in Europe.

Mr. Stephen Chi, CEO of the Group's retail business said, "The ongoing expansion of our retail business in Europe has further broadened the global recognition and desirability of our brands, particularly in China. We will continue to take additional steps to further grow the appeal of our brands, while further refining our store network and sales strategy, to ensure the long-term success of our retail business."

Future Plans & Prospects

We expect global demand for our footwear products to gradually recover. We will continue to safeguard our reputation as a partner of choice for leading fashion and luxury brands and protect our margins by maintaining current cost-control and industrial engineering measures to improve productivity, particularly at our inland China and Indonesia manufacturing facilities.

We will further explore the feasibility and growth potential of new business streams, including the manufacture of quality leather goods, particularly for products that already appeal to Stella's established base of customers.

On the retail side, we will continue to take steps to further improve long-term profitability and competitiveness, including the closure of additional underperforming stores in some regions, as well as further adjustments to operational and inventory control measures. We are also actively studying the creation of an e-commerce platform for Stella's retail products in China.

We will also continue to expand the footprint of our *Stella Luna* and *What For* brands in Europe to further grow their appeal as international brands, with a target of operating up to 15 points of sales in France by the end of 2014.

Mr. Jack Chiang, Chairman of the Group concluded, "We are cautiously optimistic about the prospects of our business in the second half of the year, especially in light of the better than expected 4.0% rebound in the United States economy in the second quarter of this year. We look forward to delivering further value to our customers in the form of innovative footwear products – and increasingly leather goods products – and delivering stable returns to our shareholders."

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Consolidated Income Statement
For the six months ended 30 June 2014

	For the six months ended 30 June	
	2014	2013
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Revenue	**722,612**	697,552
Cost of sales	**(567,993)**	(532,818)
Gross profit	**154,619**	164,734
Other income	**8,549**	5,380
Other gains and losses	**(2,181)**	(1,733)
Distribution and selling costs	**(41,383)**	(60,042)
Administrative expenses	**(38,882)**	(29,255)
Research and development costs	**(24,270)**	(22,805)
Share of profit of associates	**32**	75
Interest on bank borrowings wholly repayable within 5 years	**(86)**	(67)
Profit before tax	**56,398**	56,287
Income tax expense	**(4,020)**	(5,561)
Profit for the period	**52,378**	50,726
Attributable to:		
Owners of the Company	**52,582**	50,261
Non-controlling interests	**(204)**	465
	52,378	50,726
Earnings per share - Basic (US$)	**0.0663**	0.0634