Stella International Holdings Limited
九興控股有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1836)

FIRST QUARTER RESULTS
FOR THE THREE MONTHS ENDED 31 MARCH 2008

The board (the "Board") of directors (the "Directors") of Stella International Holdings Limited (the "Company") is pleased to announce the unaudited first quarter results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2008. This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Three months ended 31 March	
	2008	2007
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Revenue	**213,906**	180,122
Cost of sales	**(164,603)**	(139,700)
Gross profit	**49,303**	40,422
Other income	**4,598**	1,959
Selling and distribution costs	**(12,395)**	(7,801)
Administrative expenses	**(11,399)**	(8,529)
Research and development costs	**(6,732)**	(6,112)
Share of results of an associate	**(37)**	—
Profit before tax	**23,338**	19,939
Income tax expense	**(1,250)**	(1,117)
Profit for the period	**22,088**	18,822
Attributable to:		
Equity holders of the Company	**22,076**	18,822
Minority interests	**12**	—
	22,088	18,822

* *For identification purposes only*

REVENUE AND SEGMENTAL INFORMATION

For the three months ended 31 March 2008

	Men's footwear *US$'000*	**Women's footwear** *US$'000*	**Footwear retailing** *US$'000*	**Eliminations** *US$'000*	**Consolidated** *US$'000*
CONDENSED CONSOLIDATED INCOME STATEMENT					
REVENUE					
External sales	68,255	140,872	4,779	—	213,906
Inter-segment sales	—	2,904	—	(2,904)	—
Total	68,255	143,776	4,779	(2,904)	213,906
RESULTS					
Segment results	7,935	28,371	(225)	—	36,081
Unallocated corporate income					4,598
Unallocated corporate expenses					(17,341)
Profit before tax					23,338
Income tax expense					(1,250)
Profit for the period					22,088

For the three months ended 31 March 2007

	Men's footwear *US$'000*	**Women's footwear** *US$'000*	**Footwear retailing** *US$'000*	**Eliminations** *US$'000*	**Consolidated** *US$'000*
CONDENSED CONSOLIDATED INCOME STATEMENT					
REVENUE					
External sales	71,064	107,546	1,512	—	180,122
Inter-segment sales	—	855	—	(855)	—
Total	71,064	108,401	1,512	(855)	180,122
RESULTS					
Segment results	10,582	22,138	(240)	—	32,480
Unallocated corporate income					1,959
Unallocated corporate expenses					(14,500)
Profit before tax					19,939
Income tax expense					(1,117)
Profit for the period					18,822

CONDENSED CONSOLIDATED BALANCE SHEET

	As at 31 March 2008 *US$'000* (Unaudited)	As at 31 December 2007 *US$'000* (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment	**161,380**	158,165
Prepaid lease payments — non-current portion	**8,635**	8,527
Interest in an associate	**1,874**	1,911
Deposit paid for acquisition of property, plant and equipment	**677**	1,197
	172,566	169,800
CURRENT ASSETS		
Inventories	**102,906**	97,888
Trade and other receivables	**152,417**	174,119
Prepaid lease payments — current portion	**245**	239
Amount due from an associate	**10,129**	7,129
Derivative financial instruments	**595**	595
Cash and cash equivalents	**431,933**	406,960
	698,225	686,930
CURRENT LIABILITIES		
Trade and other payables	**105,825**	115,553
Derivative financial instruments	**343**	343
Tax payable	**9,077**	7,714
	115,245	123,610
NET CURRENT ASSETS	**582,980**	563,320
	755,546	733,120
CAPITAL AND RESERVES		
Share capital	**10,350**	10,350
Share premium and reserves	**745,066**	722,647
Equity attributable to equity holders of the Company	**755,416**	732,997
Minority interests	**130**	123
	755,546	733,120

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2008

	Attributable to equity holders of the Company								
	Share capital US$'000	Share premium US$'000	Merger reserve US$'000	Capital reserve US$'000	Exchange reserve US$'000	Accumulated profits US$'000	Total US$'000	Minority interests US$'000	Total US$'000
At 1 January 2007 (audited)	—	45,440	—	—	1,334	392,547	439,321	—	439,321
Exchange differences on translation of foreign operations recognised directly in equity	—	—	—	—	(243)	—	(243)	—	(243)
Profit for the period	—	—	—	—	—	18,822	18,822	—	18,822
Total recognised income and expense for the period	—	—	—	—	(243)	18,822	18,579	—	18,579
Recognised of equity-settled share-based payment expenses	—	—	—	555	—	—	555	—	555
At 31 March 2007 (unaudited)	—	45,440	—	555	1,091	411,369	458,455	—	458,455
Exchange difference on translation of foreign operations recognised directly in equity	—	—	—	—	443	—	443	—	443
Profit for the period	—	—	—	—	—	95,873	95,873	(72)	95,801
Total recognised income and expense for the period	—	—	—	—	443	95,873	96,316	(72)	96,244
Arising from group reorganisation	13	(45,440)	45,427	—	—	—	—	—	—
Issue of shares at premium through initial public offerings	2,494	384,084	—	—	—	—	386,578	—	386,578
Issue of shares at premium through exercise of the over-allotment option	374	57,612	—	—	—	—	57,986	—	57,986
Issue of shares by capitalisation of share premium account	7,469	(7,469)	—	—	—	—	—	—	—
Transaction costs attributable to issue of new shares	—	(15,688)	—	—	—	—	(15,688)	—	(15,688)
Capital contribution from minority shareholders	—	—	—	—	—	—	—	195	195
Recognised of equity-settled share-based payment expenses	—	—	—	591	—	—	591	—	591
Dividend recognised as distribution	—	(251,241)	—	—	—	—	(251,241)	—	(251,241)
At 31 December 2007 (audited)	10,350	167,298	45,427	1,146	1,534	507,242	732,997	123	733,120
Exchange difference on translation of foreign operations recognised directly in equity	—	—	—	—	343	—	343	(5)	338
Profit for the period	—	—	—	—	—	22,076	22,076	12	22,088
Total recognised income and expense for the period	—	—	—	—	343	22,076	22,419	7	22,426
At 31 March 2008 (unaudited)	10,350	167,298	45,427	1,146	1,877	529,318	755,416	130	755,546

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Three months ended 31 March	
	2008	2007
	US$'000	*US$'000*
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	**27,625**	(26,876)
Net cash (used in) from investing activities:		
Purchase of property, plant and equipment	**(3,192)**	(1,846)
Purchase of investments held for trading	**—**	(10,289)
Proceeds from disposal of investments held for trading	**—**	24,338
Other investing cash flows	**118**	161
	(3,074)	12,364
Net increase (decrease) in cash and cash equivalents	**24,551**	(14,512)
Cash and cash equivalents at 1 January	**406,960**	73,673
Effect of foreign exchange rate changes	**422**	79
Cash and cash equivalents at 31 March	**431,933**	59,240

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

For the three months ended 31 March 2008, the total revenue of the Group was approximately US$213.9 million, representing a 18.8% year-on-year growth as compared to the same period last year.

The Group's shipment totaled 11.4 million pairs, increased by 4.4% from 10.9 million pairs sold in the same period last year. The average selling price per pair was US$18.4 (2006: US$16.2), representing a year-on-year gain of 13.5%.

During the period under review, the Group recorded an increase of 22.0% in gross profit as compared to the same period last year, amounting to approximately US$49.3 million, while gross profit margin improved to 23.1% for the three months ended 31 March 2008 from 22.4% for the last corresponding period. On a quarter-to-quarter basis, the gross profit margin for the period under review decreased 0.8% when compared to the fourth quarter of 2007. The decrease was mainly due to increased costs as well as seasonality.

The net profit for the three months ended 31 March 2008 was approximately US$22.1 million, representing an increase of 17.3% on a year-on-year basis as compared to the same period last year. The increase in profit was driven by higher operational efficiencies, more stringent cost control, change in product mix and higher interest income.

The Group continued to perform well in the women's fashion and men's casual footwear segments. An analysis of revenue by business segments can be illustrated in the table below:

	Revenue for the three months ended 31 March	
	2008	2007
	US$'000	*US$'000*
Men's Casual	**61,143**	61,662
Men's Fashion	**6,234**	8,346
Men's Others	**878**	1,056
Subtotal	**68,255**	71,064
Women's Casual	**63,325**	50,573
Women's Fashion	**69,971**	46,605
Women's Private Label	**5,776**	8,714
Women's Others	**1,800**	1,654
Subtotal	**140,872**	107,546
Retail	**4,779**	1,512
Total	**213,906**	180,122

In terms of geographical mix, North America and Europe remained as the largest two markets for the Group, accounting for 56.6% and 27.0% of the Group's total revenue for the three months ended 31 March 2008 respectively. They were followed by Asia 6.7%, Greater China 5.8%, as well as other geographical regions 3.9%.

Business Review

Manufacturing Business

During the three months ended 31 March 2008, the Group's manufacturing facilities in Guangdong, China and Vietnam continued to operate at full capacity.

The Group has recorded satisfactory growth of both quantity sold and average selling price, which was attributable to the steady increase of customers orders thanks to our high quality manufacturing capabilities and value-added services.

An analysis of the growth in both quantity and average selling price in the manufacturing business is shown in the table below:

	For the three months ended 31 March		
	2008	2007	Growth *(%)*
Quantity (pairs in million)	**11.4**	10.9	4.4
Average Selling Price (US$/pair)	**18.4**	16.2	13.5

Retail Business

The performance of the Group's two retail brands, *Stella Luna* and *What For*, continued to perform satisfactorily in the first quarter of 2008; their respective revenue reached US$4.2 million and US$0.6 million during the period under review. *Stella Luna*'s sales and same-stores-sales increased 174.5% and 32% as compared to the last corresponding period. The performance of the newly launched *What For* is also very encouraging.

The following table sets out the distribution of the *Stella Luna* and *What For* stores as at 31 March 2008:

Market Position	**Stella Luna Affordable luxury**	**What For Lifestyle Contemporary**
China		
Eastern China	19	5
Southern China	13	3
Northern China	16	4
South-West China	12	4
North-East China	11	2
Subtotal	71	18
Thailand		
Bangkok	9	—
Phuket	2	—
Subtotal	11	—
Total	82	18

Future Plans and Prospects

The Group performed well in the first month of the second quarter of 2008. In April 2008, the Group's shipment amounted to US$79.2 million representing an increase of 36.4% as compared to April 2007. Total shipment in April 2008 was 3.5 million pairs with an average selling price of US$22.4 per pair representing increase of 17.8% and 15.8% respectively as compared to April 2007 shipments. The retail sales in April 2008 was approximately US$2.1 million, representing a significant increase of 210.7% and a strong 51% same-stores-sales growth as compared to last April.

Manufacturing Business

The Group will continue to expand its manufacturing capacity to meet the increasing customers' orders. The construction of Huizhou factory in the PRC, which was planned to commence operation in 2008, would be behind schedule pending official approval. In order to meet with increasing orders from customers, the Group has secured 2 million pairs capacity by partnering with an existing outsourced factory which is equipped with production facilities in Dongguan and Nanning, Guangdong, the PRC.

The cooperative joint venture in Hebei, the PRC, has commenced production since January 2008. It is expected to manufacture 1.8 million pairs of shoes in 2008.

Retail Business

As of 30 April 2008, the Group has established a total of 118 retail shops; 107 of which in China and 11 of which in Thailand. The Group is optimistic in reaching a total of 200 retail shops by the end of 2008.

By Order of the Board
Stella International Holdings Limited
Chiang Jeh-Chung, Jack
Chairman

Hong Kong, 14 May 2008

As at the date of this announcement, the executive Directors are Mr. Chiang Jeh-Chung, Jack, Mr. Shih Takuen, Daniel, Mr. Chao Ming-Cheng, Eric, Mr. Chen Li-Ming, Lawrence, Mr. Shieh Tung-Pi, Billy and Mr. Chi Lo-Jen, Stephen and the independent non-executive Directors are Mr. Chu Pao-Kuei, Mr. Ng Hak-Kim, JP and Mr. Hung John Terence, SBS, JP.