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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1836)

BUSINESS UPDATE OF THE GROUP
FOR THE FOURTH QUARTER OF 2011

The Board (the “Board”) of Directors (the “Directors”) of Stella International Holdings Limited (the “Company”) is pleased to update the business development of the Company and its subsidiaries (collectively, the “Group”) for the fourth quarter of 2011. This announcement is made pursuant to Rule 13.09(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

TOTAL CONSOLIDATED REVENUE

For the three months and year ended 31 December 2011, the unaudited consolidated revenue of the Group (including the Group’s manufacturing business, China retail business as mentioned below, inter-segment sales eliminations and other businesses not covered hereof) was approximately US\$354.0 million (2010: US\$322.9 million) and US\$1,492.8 million (2010: US\$1,293.5 million) respectively, representing a growth of approximately 9.6% and 15.4% as compared to the same periods of last year. The increase in total consolidated revenue is mostly attributed to the Group’s efforts to continuously improve its manufacturing operations and its unique ability to serve luxury and premium brands.

The Group expects demand for its footwear products to remain stable in the first half of 2012, despite the uncertain economic outlook. 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’s retail business also continued to perform well during the periods under review, despite experiencing a cyclical slowdown following China’s “Golden Week” celebrations and the late start of the winter season in 2011. It has also recently introduced *JKJY*, the Group’s new in-house label offering affordable luxury men’s footwear, at its 2012 Spring-Summer fashion show. It expects to open its first *JKJY* store in Beijing at Sanlitun in the first quarter of 2012.

Looking forward, the Group will 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, and will look to further diversify its revenue mix by maintaining its store expansion strategy and through same-store sales and space expansion.

* *For identification purpose only*

MANUFACTURING BUSINESS

An analysis of the revenue, quantity and average selling price (“ASP”) in relation to the manufacturing business of the Group for the three months and year ended 31 December 2011 is shown in the table below:

	For the year ended 31 December (Unaudited)			Change (%)	For the three months ended 31 December (Unaudited)			Change (%)
	2011	2010			2011	2010		
	Revenue (<i>US\$ million</i>)	1,423.0	1,235.1		15.2	323.3	299.3	
Quantity (<i>million pairs</i>)	52.6	53.3	-1.3	12.3	13.2	-6.8		
Average Selling Price (<i>US\$/pair</i>)	27.1	23.2	16.8	26.3	22.7	15.9		

Shipment volumes fell slightly in both the three months and year ended 31 December 2011, as the Group continued to shift production to inland areas of China and reduced the overtime hours of its production workers – resulting in a temporary shortfall in production capacity.

ASP continued to grow in the three months and year ended 31 December 2011 compared with the corresponding periods of last year, which was mostly attributable to growing recognition of the quality of the Group’s footwear products, as well as improvements to the Group’s product mix.

RETAIL BUSINESS IN CHINA

An analysis of the revenue in relation to the Group’s retail operations in China for the three months and year ended 31 December 2011, as well as the number of retail stores operated by the Group in China as of 31 December 2011, is shown in the table below:

	For the year ended 31 December (<i>US\$ million</i>) (Unaudited)			Increase (%)	For the three months ended 31 December (<i>US\$ million</i>) (Unaudited)			Increase (%)
	2011	2010			2011	2010		
	Revenue	95.1	61.4		54.9	31.8	22.9	
Same-stores-sales	51.9	38.4	35.2	17.6	14.4	22.2		
Number of Stores	As at 31 December			As at 31 December			Increase	
	2011	2010		2011	2010		Increase	
<i>Stella Luna</i> stores	194	145		194	145		49	
<i>What For</i> stores	182	143		182	143		39	

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

Hong Kong, 12 January 2012

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, and Mr. Chi Lo-Jen and the independent non-executive Directors are Mr. Chu Pao-Kuei, Mr. Ng Hak Kim, SBS, JP, Mr. Chen Johnny and Mr. Bolliger Peter.