

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 SECOND QUARTER OF 2013
AND
CHANGE IN BUSINESS PERFORMANCE**

The board (the “Board”) of directors (the “Directors”) of Stella International Holdings Limited (the “Company”) is pleased to provide an update on the business development of the Company and its subsidiaries (collectively, the “Group”) for the second quarter of 2013. This announcement is made pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

TOTAL CONSOLIDATED REVENUE

For the three months and six months ended 30 June 2013, 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\$404.6 million (2012: US\$409.6 million) and US\$695.9 million (2012: US\$683.1 million) respectively, representing a fall of approximately 1.2% and growth of approximately 1.9% respectively as compared to the same periods of last year.

Looking forward, the Group will continue to optimise the allocation of production between different production facilities in the second half of 2013 to take full advantage of the labour and cost advantages available at its new facilities in inland China and Indonesia. The Group is also developing expansion plans for new production facilities in South Asia or South-East Asia. It is also prudently considering diversification into other product categories, such as leather goods.

The Group is also in the process of restructuring its retail business, including inventory controls and the optimisation of its store network, in order to adjust to the volatile retail environment in China and to secure its future competitiveness. In addition, the Group will continue to focus on European expansion plan to further grow the global profile of its brands.

* *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 six months ended 30 June 2013 is shown in the table below:

	For the three months ended 30 June (Unaudited)		Change (%)	For the six months ended 30 June (Unaudited)		Change (%)
	2013	2012		2013	2012	
Revenue (<i>US\$ million</i>)	373.4	378.9	-1.5	640.7	637.2	0.5
Quantity (<i>million pairs</i>)	12.7	12.4	2.4	23.8	22.9	3.9
Average Selling Price (<i>US\$/pair</i>)	29.4	30.5	-3.6	26.9	27.9	-3.6

The increase in shipment volume for the three months and six months ended 30 June 2013 was mostly attributable to the ramp-up of new production capacity at the Group’s inland China and Indonesian sites and stable demand in the Group’s primary export markets.

The fall in ASP for the three months and six months ended 30 June 2013 was mostly attributable to lower raw material costs and our efforts to relocate capacity to inland China and Indonesia.

RETAIL BUSINESS IN CHINA

An analysis of the revenue in relation to the Group’s retail operations in China for the three months and six months ended 30 June 2013, together with the number of retail stores operated by the Group in China as of 30 June 2013 is shown in the table below:

	For the three months ended 30 June (<i>US\$ million</i>) (Unaudited)		Change (%)	For the six months ended 30 June (<i>US\$ million</i>) (Unaudited)		Change (%)
	2013	2012		2013	2012	
Revenue	29.5	30.5	-3.3	58.4	54.6	7.0
Same-store-sales	23.4	25.6	-8.6	46.0	46.3	-0.6

Number of Stores	As at 30 June		Change
	2013	2012	
<i>Stella Luna</i> stores	208	203	5
<i>What For</i> stores	166	186	-20
<i>JKJY by Stella</i> stores	10	3	7
<i>Pierre Balmain</i> stores	2	–	2

CHANGE IN BUSINESS PERFORMANCE

The Board wishes to inform the shareholders of the Company (the “Shareholders”) and potential investors that, based on the preliminary review of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2013 and currently available information, the Group expects an operating profit decline in the teens and a decrease of over 20% in net profit for the six months ended 30 June 2013, compared to the corresponding period of 2012. The decline of operating profit was mainly attributable to the lower utilisation of the manufacturing facilities caused by unseasonal weather and unstable global economic recovery, as well as pressure from higher labour costs and inefficiencies derived from capacity relocation. Furthermore, its net profit has also been negatively affected by the absence of a one-off non-operating gain for the six months ended 30 June 2013 as compared with the same period in 2012.

The information contained in this announcement is only a preliminary assessment by the management of the Company based on currently available information and such information has not been audited or reviewed by the Company’s auditors.

The consolidated interim results of the Group for the six months ended 30 June 2013 are expected to be announced in August 2013. Shareholders and potential investors are advised to read the Company’s interim results announcement with care when it is published.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 11 July 2013

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. Chen Johnny, Mr. Bolliger Peter, Mr. Chan Fu Keung, William and Mr. Yue Chao-Tang, Thomas.