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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 FIRST QUARTER OF 2014**

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 first quarter of 2014. 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 ended 31 March 2014, 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\$273.9 million, representing a decline of approximately 6.0% as compared to the unaudited consolidated revenue of approximately US\$291.3 million for the corresponding period of last year. The decline was mostly attributable to a delayed recovery in demand for the Group’s footwear products as customers managed inventories, as well as unseasonable weather and the weak global economy.

Looking forward, the Group expects the second quarter to be challenging, as customers continue to manage inventories and adjust to external variables, such as the unseasonably cold spring in North America. However, the Group anticipates some demand recovery in the second half of the year as the global economy gradually improves.

In response to these challenges, the Group will continue to implement strict cost controls, as well as measures to improve productivity and efficiency, especially at its new inland China and Indonesian manufacturing facilities. The Group will also continue to optimise its retail store operations in China and strengthen the marketing of the Group’s retail brands in Europe to increase their desirability in the competitive Chinese retail market.

* *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 ended 31 March 2014 is shown in the table below:

	For the three months ended 31 March (Unaudited)		Change
	2014	2013	(%)
Revenue (<i>US\$ million</i>)	250.8	267.3	-6.2
Quantity (<i>million pairs</i>)	10.0	11.1	-9.9
Average Selling Price (<i>US\$/pair</i>)	25.0	24.1	3.7

The decline in shipment volumes in the three months ended 31 March 2014 was primarily due to a delayed recovery in demand for the Group’s footwear products, unseasonable weather and the weak global economy.

The rise in ASP in the three months ended 31 March 2014 was mostly attributable to rising input costs.

RETAIL BUSINESS IN CHINA

An analysis of the revenue in relation to the Group’s retail operations in China for the three months ended 31 March 2014, together with the number of retail stores operated by the Group in China as of 31 March 2014, is shown in the table below:

	For the three months ended 31 March (<i>US\$ million</i>) (Unaudited)		Change
	2014	2013	(%)
Revenue	24.2	28.9	-16.3
Same-stores-sales	21.5	23.5	-8.5
	As at 31 March		Change
	2014	2013	
Number of Stores			
<i>Stella Luna</i> stores	192	209	-17
<i>What For</i> stores	104	181	-77
<i>JKJY by Stella</i> stores	13	9	4
<i>Pierre Balmain</i> stores	2	2	–

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

Hong Kong, 10 April 2014

As at the date of this announcement, the executive Directors are Mr. Chiang Jeh-Chung, Jack, 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.