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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 THIRD 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 third 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 and nine months ended 30 September 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\$545.7 million (2013: US\$473.3 million) and US\$1,266.7 million (2013: US\$1,169.2 million) respectively. This represented an increase of approximately 15.3% and 8.3%, as compared to the corresponding periods of last year. The increase in revenue was mostly driven by restocking by customers.

Looking forward, the Group expects demand for its footwear products will continue to be supported by restocking by our customers throughout the rest of the year. The Group will also continue to explore the feasibility and growth potential of new businesses, such as the design and manufacture of quality leather goods and accessories.

The outlook for the Group’s retail business is more uncertain, with economic growth in China likely to remain under pressure while the government proceeds with economic reforms. In order to counteract some of these challenges, the Group will continue to take steps to secure the long-term competitiveness of its retail business, including restructuring and refining its retail operations and store network as well as the potential introduction of an e-commerce platform in China.

* *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 nine months ended 30 September 2014 is shown in the table below:

	For the three months ended 30 September (Unaudited)		Change (%)	For the nine months ended 30 September (Unaudited)		Change (%)
	2014	2013		2014	2013	
	Revenue (<i>US\$ million</i>)	528.1		455.9	15.8	
Quantity (<i>million pairs</i>)	15.8	14.3	10.5	39.5	38.1	3.7
Average Selling Price (<i>US\$/pair</i>)	33.4	31.9	4.7	30.4	28.8	5.6

The increase in shipment volumes for the three months ended 30 September 2014 was mostly attributable to the ongoing recovery in demand for the Group’s footwear products, particularly by restocking by customers.

The rise in ASP for the three months and nine months ended 30 September 2014 was mostly attributable to rising input costs, particularly leather.

RETAIL BUSINESS IN CHINA

An analysis of the revenue in relation to the Group’s retail operations in China for the three months and nine months ended 30 September 2014, together with the number of retail stores operated by the Group in China as of 30 September 2014, is shown in the table below:

	For the three months ended 30 September (<i>US\$ million</i>) (Unaudited)		Change (%)	For the nine months ended 30 September (<i>US\$ million</i>) (Unaudited)		Change (%)
	2014	2013		2014	2013	
	Revenue	19.8		25.3	-21.7	
Same-store-sales	16.3	19.6	-16.8	54.2	62.0	-12.6

Number of stores	As at 30 September		Change
	2014	2013	
<i>Stella Luna</i> stores	181	203	-22
<i>What For</i> stores	82	140	-58
<i>JKJY by Stella</i> stores	7	12	-5
<i>Pierre Balmain</i> stores	1	2	-1

The fall in retail revenue was mostly attributable to the ongoing consolidation of the retail business. The fall in same-store sales was mostly attributable to weakening economic growth and consumer confidence in China, factors which are affecting many other luxury brands.

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

Hong Kong, 16 October 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, BBS and Mr. Yue Chao-Tang, Thomas.