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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 SECOND QUARTER OF 2016

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 2016. 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 2016, 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\$437.2 million (2015: US\$499.2 million) and US\$717.5 million (2015: US\$797.2 million) respectively, representing a fall of approximately 12.4% and 10.0%, as compared to the corresponding periods of 2015.

The fall in revenue was mostly attributable to fewer orders for the Group’s footwear products during the periods under review, particularly in the casual footwear segment. This led to lower utilisation of the Group’s non-sports footwear factories and affected efficiencies and margins.

Looking forward, the Group expects the operating environment in the second half of the year to be challenging, with shipment volumes likely to be impacted by the recent ‘Brexit’ vote and the effect it has on consumer confidence and economic growth in Europe. An increasingly vitriolic presidential election campaign in the United States, coupled with a slowing global economy, may also affect demand for the Group’s footwear products. However, the expected fall in shipment volumes will be partially cushioned by rising demand for sports fashion footwear.

In order to deal with these challenges, the Group will continue to enforce strict cost controls and other improvement measures to regain lost efficiencies. The implementation of many of these measures is already well advanced and is expected to alleviate the decline in the Group’s margins in the second half of the year. The Group will also continue to focus on building the long-term competitiveness of its retail business by selectively opening new standalone stores in high-potential locations in China and by expanding its presence in Europe. The Group is also continuing to work with leading retailers around the world on new initiatives that will boost the global visibility 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 2016 is shown in the table below:

	For the three months			For the six months		
	ended 30 June		Change	ended 30 June		Change
	(Unaudited)			(Unaudited)		
	2016	2015	(%)	2016	2015	(%)
Revenue (<i>US\$ million</i>)	422.0	472.6	-10.7	689.6	758.8	-9.1
Quantity (<i>million pairs</i>)	14.8	15.5	-4.5	25.4	26.6	-4.5
Average Selling Price (<i>US\$/pair</i>)	28.5	30.5	-6.6	27.1	28.5	-4.9

The decrease in shipment volumes in the three months ended 30 June 2016 was mostly attributable to fewer orders for the Group’s footwear products, particularly in the casual footwear segment.

The fall in ASP in the three and six months ended 30 June 2016 was attributable to falling raw material costs, particularly for leather, change in product mix, as well as greater pricing competition.

RETAIL BUSINESS IN CHINA

An analysis of the revenue in relation to the Group’s retail operations in China for the three and six months ended 30 June 2016, together with the number of retail stores operated by the Group in China as of 30 June 2016, is shown in the table below:

	For the three months			For the six months		
	ended 30 June		Change	ended 30 June		Change
	<i>(US\$ million)</i>			<i>(US\$ million)</i>		
	2016	2015	(%)	2016	2015	(%)
Revenue	17.7	21.0	-15.7	32.7	38.5	-15.1
Same-store-sales	14.0	16.3	-14.1	24.7	30.0	-17.6
Number of Stores				As at 30 June		Change
				2016	2015	
<i>Stella Luna stores</i>				175	179	-4
<i>What For stores</i>				57	69	-12
<i>JKJY by Stella stores</i>				1	5	-4
<i>Pierre Balmain stores</i>				0	2	-2

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

Hong Kong, 13 July 2016

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.