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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 2016

The board (the “Board”) of directors (the “Directors”) of Stella International Holdings Limited (“Stella” or 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 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 nine months ended 30 September 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\$475.3 million (2015: US\$569.0 million) and US\$1,192.8 million (2015: US\$1,366.2 million) respectively. This represented a fall of approximately 16.5% and 12.7%, as compared to the corresponding periods of last year.

The Group continued to experience strong demand for its athleisure products, which remains one of the Group’s key growth drivers. Separately, the performance of the Group’s retail business in China improved 4.6% to US\$16.1 million for the three months under review.

Looking forward, the Group expects orders for its footwear products to stabilise towards the end of 2016 and the beginning of 2017. At the same time, the Group expects to improve operational efficiency via implementing strict cost controls as well as further reducing its workforce.

The Group will also 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. It will continue to work with leading global retailers and department stores, including *Lane Crawford* and *Barneys New York*, which recently resulted in the Group’s retail brands becoming available on their e-commerce platforms, and entering into new markets such as Hong Kong and the United States for the first time.

* *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 2016 is shown in the table below:

	For the three months ended 30 September (Unaudited)			Change (%)	For the nine months ended 30 September (Unaudited)			Change (%)
	2016	2015			2016	2015		
	Revenue (<i>US\$ million</i>)	454.9	557.0		-18.3	1,144.5	1,315.8	
Quantity (<i>million pairs</i>)	14.6	16.8	-13.1	40.0	43.3	-7.6		
Average Selling Price (<i>US\$/pair</i>)	31.2	33.2	-6.0	28.6	30.4	-5.9		

The fall in revenue and shipment volumes was mostly attributable to the ongoing decline in orders for the Group’s casual footwear products.

The fall in the average selling price of the Group’s footwear products was mostly due to falling raw material costs, particularly for leather, changes in our 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 months and nine months ended 30 September 2016, together with the number of retail stores operated by the Group in China as of 30 September 2016, 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 (%)
	2016	2015			2016	2015		
	Revenue	16.1	15.4		4.6	48.8	53.9	
Same-store-sales	12.0	12.3	-2.3	37.8	41.9	-9.3		

	As at 30 September		Change
	2016	2015	
Number of stores			
<i>Stella Luna stores</i>	177	179	-2
<i>What For stores</i>	60	66	-6
<i>JKJY by Stella stores</i>	1	4	-3
<i>Pierre Balmain stores</i>	-	2	-2

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

Hong Kong, 18 October 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.