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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 2018**

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 2018.

TOTAL CONSOLIDATED REVENUE

For the three months and six months ended 30 June 2018, the unaudited consolidated revenue of the Group (including the Group’s manufacturing business, branding business as mentioned below, inter-segment sales eliminations and other businesses not covered hereof) was approximately US\$443.5 million (2017: US\$454.7 million¹) and US\$738.1 million (2017: US\$761.7 million¹) respectively, representing a decrease of approximately 2.5% and 3.1%, as compared to the corresponding periods of 2017. Excluding revenue from its former China retail business and current China wholesale business, the unaudited comparable consolidated revenue of the Group for the three months and six months ended 30 June 2018 improved by 1.1% and 0.8% respectively.

Looking ahead, the Group expects demand for its fashion athletic products to continue being its main growth driver. Early-phase contributions to the fashion athletic segment from high-end customers are also providing a new foundation for the Group’s future growth. It will continue to selectively reduce production capacity in some locations in order to improve its utilisation efficiency and deliver margin recovery over the medium term, while diligently monitoring the changing trade policies of its major export markets.

* *For identification purpose only*

¹ The unaudited consolidated revenue for the three months and six months ended 30 June 2017 included revenue of US\$19.5 million and US\$35.3 million from the Group’s former China retail business respectively. The relevant companies are no longer subsidiaries of the Company.

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 and six months ended 30 June 2018 is shown in the table below:

	For the three months ended 30 June			For the six months ended 30 June		
	(Unaudited) 2018	2017	Change (%)	(Unaudited) 2018	2017	Change (%)
Revenue (<i>US\$ million</i>)	433.8	431.8	0.5	721.2	717.5	0.5
Quantity (<i>million pairs</i>)	16.6	15.5	7.1	29.0	27.0	7.4
Average Selling Price (<i>US\$/pair</i>)	26.1	27.9	-6.5	24.9	26.6	-6.4

The increase in revenue and shipment volumes in the three and six months ended 30 June 2018 was mostly attributable to the ongoing recovery in demand for the Group’s fashion footwear products, increased seasonal ordering activity for its casual footwear products and stabilised ordering activity for its fashion athletic footwear products.

The drop in ASP in the three months ended 30 June 2018 was attributable to changes to the Group’s product mix, as well as its customers’ product mix.

BRANDING BUSINESS

An analysis of the revenue in relation to the Group’s branding business, which mostly consists of its retail operations in Europe, for the three and six months ended 30 June 2018 is shown in the table below:

	For the three months ended 30 June			For the six months ended 30 June		
	(<i>US\$ million</i>) (Unaudited) 2018	2017	Change (%)	(<i>US\$ million</i>) (Unaudited) 2018	2017	Change (%)
Revenue	4.0	3.2	25.0	9.2	7.9	16.5
Same-store-sales	0.9	1.1	-18.2	1.6	1.7	-5.9

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

Hong Kong, 12 July 2018

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, Mr. Yue Chao-Tang, Thomas and Mr. Lian Jie.