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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 2019 AND
POSITIVE PROFIT ALERT**

This announcement is made pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

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 2019.

TOTAL CONSOLIDATED REVENUE

For the three months and six months ended 30 June 2019, the unaudited consolidated revenue¹ of the Group was approximately US\$438.0 million (2018: US\$443.5 million) and US\$750.6 million (2018: US\$738.1 million) respectively, representing a decrease of 1.2% and an increase of 1.7% as compared to the corresponding periods of last year.

* *For identification purpose only*

¹ *Includes the Group’s manufacturing business, branding business and other businesses not covered hereof, and after eliminations of inter-segment sales.*

Looking forward, the Group expects further volume growth for its fashion sports footwear products in the second half of 2019, while it will continue to focus on improving the performance of its fashion and casual footwear businesses. Average selling price (“ASP”) of the Group’s products for the rest of 2019 is expected to remain stable depending on the Group’s product mix and its customers’ product mix.

The Group will continue to prioritise its margin expansion by increasing its production efficiency while further re-allocating its production capacity from China to South East Asia and by ramping-up its new manufacturing facility in Vietnam, as well as by enhancing its product mix.

MANUFACTURING BUSINESS

An analysis of the revenue, quantity and ASP in relation to the manufacturing business of the Group for the three months and six months ended 30 June 2019 is shown in the table below:

| | For the three months ended 30 June (Unaudited) | | | For the six months ended 30 June (Unaudited) | | |
|--|--|-------|---------------|--|-------|---------------|
| | 2019 | 2018 | Change (%) | 2019 | 2018 | Change (%) |
| Revenue (<i>US\$ million</i>) | 435.4 | 433.8 | 0.4 | 742.5 | 721.2 | 3.0 |
| Quantity (<i>million pairs</i>) | 16.8 | 16.6 | 1.2 | 29.5 | 29.0 | 1.7 |
| Average Selling Price (<i>US\$/pair</i>) | 25.9 | 26.1 | -0.8 | 25.2 | 24.9 | 1.2 |

The increase in revenue for the six months ended 30 June 2019 was driven by robust ordering for the Group’s fashion sports footwear. Global trade frictions did not have any material impact on the Group’s operations during the period under review.

The increase in ASP for the six months ended 30 June 2019 was mostly driven by changes to the Group’s product mix and customer 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 2019 is shown in the table below:

| | For the three months ended 30 June (<i>US\$ million</i>) (Unaudited) | | | For the six months ended 30 June (<i>US\$ million</i>) (Unaudited) | | |
|------------------|---|------|---------------|---|------|---------------|
| | 2019 | 2018 | Change (%) | 2019 | 2018 | Change (%) |
| Revenue | 2.9 | 4.0 | -27.5 | 5.9 | 9.2 | -35.9 |
| Same-store-sales | 0.4 | 0.9 | -55.6 | 0.9 | 1.6 | -43.8 |

POSITIVE PROFIT ALERT

The Board wishes to inform the shareholders of the Company (the “Shareholders”) and potential investors that, based on the preliminary review of the unaudited consolidated management accounts of the Group for the six months ended 30 June 2019 and currently available information, the Group expects an improvement in EBIT (earnings before interest and taxes) of no less than 50% and an improvement in profit after tax of no less than 70% for the six months ended 30 June 2019, as compared with those for the corresponding period of 2018. The increase in EBIT was mostly attributable to a moderate year-on-year improvement in the production efficiency and the continued ramp-up of its new manufacturing facility in Vietnam; further re-allocation of its production capacity from China to South East Asia; and a much-enhanced product mix and customer mix.

The information contained in this announcement is only a preliminary assessment by the management of the Company based on currently available information and such information has not been audited or reviewed by the Company’s auditors.

The consolidated interim results of the Group for the six months ended 30 June 2019 is expected to be announced in August 2019. Shareholders and potential investors are advised to read the Company’s interim results announcement with care when it is published.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
Stella International Holdings Limited
Chen Li-Ming, Lawrence
Chairman

Hong Kong, 18 July 2019

As at the date of this announcement, the executive Directors are Mr. Chen Li-Ming, Lawrence and Mr. Chi Lo-Jen; the non-executive Directors are Mr. Chiang Jeh-Chung, Jack and Mr. Chao Ming-Cheng, Eric; and the independent non-executive Directors are Mr. Chen Johnny, Mr. Bolliger Peter, Mr. Chan Fu Keung, William, BBS, Mr. Yue Chao-Tang, Thomas, Mr. Lian Jie and Ms. Shi Nan Sun.