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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 FOURTH QUARTER OF 2019**

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 fourth quarter of 2019.

#### **GROUP PERFORMANCE**

As of 31 December 2019, the Group’s margin expansion initiatives – namely, improving production efficiency, adjusting production capacity from China to Southeast Asia, and improving its product mix and customer mix – were on track and in line with its expectations to achieve the targeted full-year recurring operating margin. It also finalised plans to expand its manufacturing operations in Southeast Asia, in particular adding a new production facility in Indonesia.

#### **TOTAL CONSOLIDATED REVENUE**

For the three months and year ended 31 December 2019, the unaudited consolidated revenue<sup>1</sup> of the Group was approximately US\$345.4 million (2018: US\$386.5 million) and US\$1,545.3 million (2018: US\$1,595.9 million) respectively, representing a decrease of 10.6% and 3.2% respectively as compared to the corresponding periods of last year.

The decrease in sales for the periods under review was mostly attributable to lower shipment volumes during both periods under review, as well as the restructuring and consolidation of the Group’s retail operations within its branding business.

Looking forward into 2020, the Group will continue its strategic focus on margin improvement over shipment volume growth by strengthening its efforts to adjust production capacity from China to South East Asia, by enhancing its production efficiency, as well as by managing its product mix. Therefore, the Group expects a flat overall shipment volume growth for the year, despite its expectation that the shipment volume for its fashion sports footwear will continue to grow. The Group will also continue to improve the performance of its fashion and casual footwear businesses. Average selling price (“ASP”) is expected to remain stable depending on the Group’s customer mix and its customers’ product mix.

\* *For identification purpose only*

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

## MANUFACTURING BUSINESS

An analysis of the revenue, quantity and ASP in relation to the manufacturing business of the Group for the three months and year ended 31 December 2019 is shown in the table below:

	For the three months ended 31 December			For the year ended 31 December		
	(Unaudited)		Change (%)	(Unaudited)		Change (%)
	2019	2018		2019	2018	
Revenue ( <i>US\$ million</i> )	339.9	374.3	-9.2	1,530.3	1,550.7	-1.3
Quantity ( <i>million pairs</i> )	13.8	15.1	-8.6	59.4	60.2	-1.3
Average Selling Price ( <i>US\$/pair</i> )	24.7	24.8	-0.4	25.8	25.8	-

The Group continued to see robust ordering activity for its fashion sports footwear, despite the decline in overall shipment volumes during the periods under review. Revenue growth in the three months ended 31 December 2019 was impacted by a high base effect and the Group's continued focus on margin improvement over shipment volume growth. The Group continued to progress its margin expansion initiatives during the periods under review. Global trade frictions did not have any material impact on the Group's operations during the periods under review.

The year-on-year movements in overall ASP for the three months and year ended 31 December 2019 were mostly flat, with the Group continuing to make changes to its product mix and customer mix during the periods under review.

## 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 months and year ended 31 December 2019 is shown in the table below:

	For the three months ended 31 December			For the year ended 31 December		
	<i>(US\$ million)</i>		Change (%)	<i>(US\$ million)</i>		Change (%)
	2019	2018		2019	2018	
Revenue	2.7	3.3	-18.2	9.3	17.3	-46.2
Same-store-sales	0.3	0.5	-40.0	1.5	2.7	-44.4

Sales during the periods under review were impacted by the restructuring and consolidation of the Group's retail operations in Europe.

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

Hong Kong, 16 January 2020

*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.*