

[For immediate release]



## Restocking supports Stella's 3Q performance

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*Shipments up in three and nine months ended 30 September 2014*

Hong Kong, October 16, 2014 – Stella International Holdings Limited (“Stella”, or together with its subsidiaries, the “Group”; SEHK: 1836), a leading designer, manufacturer and retailer of quality footwear and leather goods products, today announced its unaudited third quarter business update for the three months and nine months ended 30 September 2014.

### **Financial & Operational Highlights:**

|  | For the three months ended<br>30 September<br>(Unaudited) |       | For the nine months ended<br>30 September<br>(Unaudited) |         |
|--|---|-------|--|---------|
|  | 2014  | 2013  | 2014   | 2013    |
| Revenue (US\$ million)                                   |   |       |  |         |
| - Manufacturing  | <b>528.1</b>  | 455.9 | <b>1,201.7</b>   | 1,096.6 |
| - Retail business in China                               | <b>19.8</b>   | 25.3  | <b>69.1</b>  | 83.7    |
| Average selling price per<br>pair (manufacturing) (US\$) | <b>33.4</b>   | 31.9  | <b>30.4</b>  | 28.8    |
| Total shipment during the<br>period (mil pairs)          | <b>15.8</b>   | 14.3  | <b>39.5</b>  | 38.1    |
| No. of retail stores in China<br>(As at 30 September)    |   |       |  |         |
| - <i>Stella Luna</i>                                     |   |       | <b>181</b>   | 203     |
| - <i>What For</i>  |   |       | <b>82</b>  | 140     |
| - <i>JKJY by Stella</i>                                  |   |       | <b>7</b>   | 12      |
| - <i>Pierre Balmain</i>                                  |   |       | <b>1</b>   | 2       |

The Group recorded an unaudited consolidated revenue (including the Group's manufacturing business, China retail business, inter-segment sales eliminations and other businesses not covered hereof) of approximately US\$545.7 million (2013: US\$473.3 million) and US\$1,266.7 million (2013: US\$1,169.2 million) for the three months and nine months ended 30 September 2014. This represented an improvement of approximately 15.3% and approximately 8.3% respectively as compared to the unaudited consolidated revenue of the corresponding periods of last year. The increase in revenue was mostly driven by restocking by customers.

Revenue from our manufacturing operations rose 15.8% and 9.6% respectively to US\$528.1 million and US\$1,201.7 million in the three and nine months ended 30 September 2014

respectively. Shipment volumes rose 10.5% and 3.7% during the same periods to 15.8 million pairs and 39.5 million pairs respectively.

Rising input costs, particularly for leather, saw the average selling price (“ASP”) of our products rise 4.7% to US\$33.4 per pair in the three months ended 30 September 2014.

Sales of our *Stella Luna*, *What For*, *JKJY by Stella* and *Pierre Balmain* branded footwear products (in China only) fell 21.7% and 17.4% to US\$19.8 million and US\$69.1 million respectively during the three and nine months ended 30 September 2014. Same-store sales fell 16.8% during the third quarter of the year.

The fall in retail revenue was mostly attributable to the ongoing consolidation of our retail business. The fall in same-store sales was mostly attributed to weakening economic growth and consumer confidence in China, factors which are affecting many other luxury brands.

We continued to further refine and restructure the retail business during the third quarter of the year, while also growing the presence and visibility of our retail brands on the global stage. This included the opening of two more standalone retail stores in Paris in September this year, located at 318 Rue Saint Honoré and 64 Rue François Premier – locations which are highly frequented by international visitors.

As of 30 September 2014, the Group operated 181 *Stella Luna* stores, 82 *What For* stores, 7 *JKJY by Stella* stores and 1 *Pierre Balmain* stores in China.

Looking forward, we expect demand for our footwear products will continue to be supported by restocking by our customers throughout the rest of the year. We will also continue to explore the feasibility and growth potential of new businesses, such as the design and manufacture of quality leather goods and accessories.

The outlook for our retail business is more uncertain, with economic growth in China likely to remain under pressure while the government proceeds with economic reforms. In order to counteract some of these challenges, we will continue to take steps to secure the long-term competitiveness of our retail business, including restructuring and refining our retail operations and store network, as well as the potential introduction of an e-commerce platform in China.

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group’s performance, “Restocking is continuing to drive demand for our footwear products. Many of these orders have come from our long-term customers who are also interested in our new product offerings including fashion sneakers and handbags. This is a testament to our efforts to maintain strong relationships with them during more challenging times. We remain committed to ‘Making the Best Shoes’ for our customers in order to further grow our business.”

Commenting on the outlook for the Group’s businesses, Mr. Jack Chiang, Chairman of the Group, said, “We cautiously expect that our earnings in the short and medium term will be sustained by restocking, as well as growing demand from U.S. customers. We will continue to monitor the impact that slowing economic growth, renewed conflict in the Middle East and sanctions imposed in response to the Ukraine crisis may have on the demand for our products in order to protect our profitability and returns for shareholders.”

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