

[For immediate release]



Stella Readies Business in Q1 for Sustained Demand Recovery

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Solid upturn in demand for Stella's footwear products expected in second half

Hong Kong, April 10, 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 first quarter business update for the three months ended 31 March 2014.

Financial & Operational Highlights:

| | For the three months ended 31 March (Unaudited) | |
|--|---|--------------------|
| | <u>2014</u> | <u>2013</u> |
| Revenue (US\$ million) | | |
| - Manufacturing | 250.8 | 267.3 |
| - Retail business in China | 24.2 | 28.9 |
| Average selling price per pair (manufacturing) (US\$) | 25.0 | 24.1 |
| Total shipment during the period (mil pairs) | 10.0 | 11.1 |
| No. of retail stores in China (As at 31 March) | 311 | 401 |
| - <i>Stella Luna</i> | 192 | 209 |
| - <i>What For</i> | 104 | 181 |
| - <i>JKJY by Stella</i> | 13 | 9 |
| - <i>Pierre Balmain</i> | 2 | 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\$273.9 million (2013: US\$291.3 million) for the three months ended 31 March 2014. This represented a decline of 6.0% compared to the unaudited consolidated revenue of the corresponding period of last year. The decline was mostly attributable to a delayed recovery in demand for our footwear products as customers managed inventories, as well as unseasonable weather and the weak global economy.

The above stated reasons was also responsible for a 6.2% decline in revenue from our manufacturing operations in the first three months of the year to US\$250.8 million and a 9.9% decline in shipment volumes to 10.0 million pairs, compared to the corresponding period of last year.

The average selling price (“ASP”) of our products during the period rose 3.7% to US\$25.0 per pair, which was mostly attributable to rising input costs.

Weakening economic growth and consumer confidence in China, as well as the ongoing consolidation, restructuring and repositioning of our retail brands, continued to impact the performance of our retail business. Sales of our *Stella Luna*, *What For*, *JKJY by Stella* and *Pierre Balmain* branded footwear products (in China only) fell 16.3% to US\$24.2 million during the first quarter, compared to the corresponding period of last year. Same-store sales declined 8.5% during the period under review.

As of 31 March 2014, the Group operated a total of 192 *Stella Luna* stores, 104 *What For* stores, 13 *JKJY by Stella* stores and 2 *Pierre Balmain* stores in China.

Looking forward, we expect the second quarter to be challenging, as customers continue to manage inventories and adjust to external variables, such as the unseasonably cold spring in North America. However, we anticipate some demand recovery in the second half of the year as the global economy gradually improves.

In response to these challenges, we will continue to implement strict cost controls, as well as measures to improve productivity and efficiency, especially at our new inland China and Indonesian manufacturing facilities. We will continue to optimise our retail store operations in China and strengthen the marketing of our retail brands in Europe to increase their desirability in the competitive Chinese retail market.

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group’s performance, “The current business environment remains highly challenging, despite signs of economic recovery in our key export markets. However, the earlier steps we have taken to curtail costs and increase efficiency has limited the downside this has had on our performance. We will continue to make further adjustments to safeguard our profitability.”

Commenting on the outlook for the Group’s businesses, Mr. Jack Chiang, Chairman of the Group, said, “We are cautiously optimistic about the prospects for our business in the second half of the year, as the impact of the improving global economy starts to boost discretionary spending on items such as luxury and premium footwear. We are also positive that the changes we are currently making to our retail business will lay a solid foundation for its long-term sustainability.”

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