

[For immediate release]



Shipment Volumes continue to rebound in 4Q2014

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Manufacturing revenue and shipment volumes grew 9.1% and 7.1% in the final three months of 2014

Hong Kong, January 9, 2015 – 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 fourth quarter business update for the three months and year ended 31 December 2014.

Financial & Operational Highlights:

	For the three months ended 31 December (Unaudited)		For the year ended 31 December (Unaudited)	
	2014	2013	2014	2013
Revenue (US\$ million)				
- Manufacturing	370.2	339.2	1,571.9	1,435.8
- Retail business in China	23.4	33.9	92.5	117.6
Average selling price per pair (manufacturing) (US\$)	27.2	26.7	29.6	28.3
Total shipment during the period (mil pairs)	13.6	12.7	53.1	50.8
No. of retail stores in China (As at 31 December)				
- <i>Stella Luna</i>			176	196
- <i>What For</i>			79	116
- <i>JKJY by Stella</i>			4	13
- <i>Pierre Balmain</i>			1	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\$393.4 million (2013: US\$370.6 million) and US\$1660.1 million (2013: US\$1,539.8 million) for the three months and year ended 31 December 2014. This represented an improvement of approximately 6.2% and approximately 7.8% respectively as compared to the unaudited consolidated revenue of the corresponding periods of 2013.

Revenue from our manufacturing operations rose 9.1% and 9.5% respectively to US\$370.2 million and US\$1,571.9 million in the three months and year ended 31 December 2014

respectively. Shipment volumes rose 7.1% and 4.5% during the same periods to 13.6 million pairs and 53.1 million pairs respectively, as orders return to more normal levels.

The average selling price (“ASP”) of our products rose 1.9% during the three months ended 31 December 2014 to US\$27.2 per pair due to rising input costs, particularly for leather for which the price remains near an all-time high.

Despite significant challenges, our retail business in China remained profitable at an operational level during the periods under review following a change in operational strategy. However, sales revenue and same-store sales further declined due to weakening economic growth and consumer sentiment, as well as adjustments made to our merchandising strategy. Sales of our *Stella Luna*, *What For*, *JKJY by Stella* and *Pierre Balmain* branded footwear products (in China only) fell 31.0% and 21.3% to US\$23.4 million and US\$92.5 million respectively during the three months and year ended 31 December 2014. Same-store sales fell 26.2% during the final quarter of 2014.

As of 31 December 2014, the Group operated 176 *Stella Luna* stores, 79 *What For* stores, 4 *JKJY by Stella* stores and 1 *Pierre Balmain* stores in China.

Looking forward, we will continue to closely monitor how rising wages, higher employer benefits and continued labour turnover impacts our manufacturing business. On the demand side, we expect the operating environment in the first half of 2015 to remain challenging as customers adopt a cautious approach to inventory purchase. The operating environment may improve in the second half of 2015 if there is economic recovery in the United States and some parts of Europe that provides more confidence to retailers. 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 operating environment for our retail business in China also remains highly uncertain, with consumer confidence likely to be contained for some time. We will continue to take steps to secure the long-term competitiveness of our retail business, including broadening our branding efforts in Europe.

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group’s performance, “Our performance continues to be supported by restocking by global footwear brands who are now beginning to return to normal levels of retail activity. However, we remain mindful of ongoing challenges, particularly the difficult labour environment. Our focus remains on delivering quality in order to further strengthen our relationships with customers and strongly position the Group for future growth.”

Commenting on the outlook for the Group’s businesses, Mr. Jack Chiang, Chairman of the Group, said, “Our customers are likely to retain a cautious stance in the first half of 2015, particularly those based in Europe. We are confident that we are taking the right steps to mitigate the impact of this, while preserving our competitive advantages and ability to grow our business and provide more returns to shareholders.”

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For further information, please contact:

Media relations: ir@stella.com.hk