

[For Immediate Release]



## Q1 revenue and volume improve alongside restocking and sports fashion trend

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*Manufacturing revenue & shipment volumes up 14.1% and 11.0% in Q1 2015*

Hong Kong, April 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 first quarter business update for the three months ended 31 March 2015.

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

	For the three months ended 31 March (Unaudited)	
	<b><u>2015</u></b>	<b><u>2014</u></b>
Revenue (US\$ million)		
- Manufacturing	<b>286.2</b>	250.8
- Retail business in China	<b>17.5</b>	24.2
Average selling price per pair (manufacturing) (US\$)	<b>25.8</b>	25.0
Total shipment during the period (mil pairs)	<b>11.1</b>	10.0
No. of retail stores in China (As at 31 March)	<b>253</b>	311
- <i>Stella Luna</i>	<b>176</b>	192
- <i>What For</i>	<b>72</b>	104
- <i>JKJY by Stella</i>	<b>4</b>	13
- <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\$298.0 million (2014: US\$273.9 million) for the three months ended 31 March 2015. This represented an improvement of approximately 8.8% compared to the unaudited consolidated revenue of the corresponding period of last year. The increase in revenue was mostly attributed to higher manufacturing revenue during the period under review. The high percentage increase also reflects the low base that was mostly caused by weak economic conditions in the first quarter of 2014.

Customer restocking was also the primary reason for a 14.1% increase in revenue from our manufacturing business during the period under review to US\$286.2 million. Shipment volumes rose 11.0% to 11.1 million pairs during the period.

The average selling price (“ASP”) of our products grew at a slower pace during the period, rising 3.2% to US\$25.8 per pair, which was mostly attributable to higher raw material costs, particularly for leather.

Weakening economic conditions and consumer sentiment in China continued to impact our retail business during the first three months of 2015. An 18% lower number of points of sales compared the same period of last year also impacted retail revenue during the period under review. Sales of our *Stella Luna*, *What For*, *JKJY by Stella* and *Pierre Balmain* branded footwear products (in China only) fell 27.7% to US\$17.5 million during the first quarter, compared to the corresponding period of last year. Same-store sales declined 20.6% during the period under review. We also continued to close underperforming stores and make adjustments to our retail sales and operational strategies during the period under review.

As of 31 March 2015, the Group operated a total of 176 *Stella Luna* stores, 72 *What For* stores, 4 *JKJY by Stella* stores and 1 *Pierre Balmain* store in China.

Looking forward, we expect that demand for our footwear products will continue to strengthen throughout 2015 as economic recovery in the United States and parts of Europe incentivise customers to ramp up orders. We will continue to implement strict cost controls and measures to improve efficiency at our manufacturing facilities and remain on track towards achieving a targeted expansion of manufacturing capacity by the end of this year.

We will also continue to take steps to increase the long-term competitiveness of our retail business. This includes broadening our branding efforts in Europe in order to grow our brand equity in China and preserve our price premium.

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group’s performance, “We are encouraged to see some improvement in demand for our footwear products and are cautiously optimistic that this trend will continue throughout the rest of this year. We will continue to focus on remaining the ‘partner of choice’ for brand name customers looking for quality and strong design in order to attract further growth.”

Commenting on the outlook for the Group’s businesses, Mr. Jack Chiang, Chairman of the Group, said, “The future growth of Stella will continue to be bolstered by two trends: consolidation in the OEM manufacturing industry and the on-going outsourcing trend among footwear companies. We will continue to seek ways to safeguard our competitive advantages in order to deliver growth and returns to our shareholders.”

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