

[For immediate release]



Demand for Sports Fashion Supports Stella's Q4 Performance

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Manufacturing revenue up 5.1% and 8.5% respectively in three months and year ended 31 December 2015

Hong Kong, January 15, 2016 – 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 2015.

Financial & Operational Highlights:

	For the three months ended 31 December (Unaudited)		For the year ended 31 December (Unaudited)	
	2015	2014	2015	2014
Revenue (US\$ million)				
- Manufacturing	389.2	370.2	1,705.0	1,571.9
- Retail business in China	17.0	23.4	70.9	92.5
Average selling price per pair (manufacturing) (US\$)	26.1	27.2	29.3	29.6
Total shipment during the period (mil pairs)	14.9	13.6	58.2	53.1
No. of retail stores in China (As at 31 December)				
- <i>Stella Luna</i>			177	176
- <i>What For</i>			61	79
- <i>JKJY by Stella</i>			3	4
- <i>Pierre Balmain</i>			2	1

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\$396.6 million (2014: US\$393.4 million) and US\$1,762.8 million (2014: US\$1,660.1 million) for the three months and year ended 31 December 2015. This represented an improvement of approximately 0.8% and approximately 6.2% respectively, as compared to the unaudited consolidated revenue of the corresponding periods of last year, as we continued to see increased demand for sports fashion footwear.

Revenue from our manufacturing operations rose 5.1% and 8.5% respectively to US\$389.2 million and US\$1,705.0 million in the three months and year ended 31 December 2015

respectively. Shipment volumes rose 9.6% and 9.6% during the same periods to 14.9 million pairs and 58.2 million pairs respectively.

The average selling price (“ASP”) of our products fell 4.0% during the three months ended 31 December 2015 to US\$26.1 per pair, mostly due to lower raw material costs, particularly for leather.

Our retail business in China continued to face challenges from slowing economic growth and an unseasonable warm start to winter. Sales of our *Stella Luna*, *What For*, *JKJY by Stella* and *Pierre Balmain* branded footwear products (in China only) fell 27.4% and 23.4% to US\$17.0 million and US\$70.9 million respectively during the three months and year ended 31 December 2015. Same-store sales fell 21.5% during the final quarter of 2015.

As of 31 December 2015, the Group operated 177 *Stella Luna* stores, 61 *What For* stores, 3 *JKJY by Stella* stores and 2 *Pierre Balmain* stores in China.

Looking forward, we expect to be affected by reduced confidence among some customers after a disappointing year for many parts of the retail industry. However, we continue to expect a gradual pick-up in orders, as well as improved utilisation at our production facilities in inland China and South-East Asia, in-line with the growing global demand for sports fashion footwear products. Our retail business in China will continue to face a difficult operating environment in 2016, particularly in the first half following a warmer than expected start to winter.

Despite this challenges, we are confident that improving efficiency and utilisation at our manufacturing facilities and the ongoing implementation of strict cost controls and efficiency improvement measures will continue to support our profitability. We also remain committed to building our retail business for the long-term by opening a small number of new standalone stores in quality locations and through our ongoing branding efforts in Europe.

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group’s performance, “We are pleased to see shipment volume growth maintain its momentum in the final quarter of the year. Our focus will remain on improving efficiency and overseeing greater utilisation at our manufacturing facilities to preserve our margins and build market share, without comprising on quality.”

Commenting on the outlook for the Group’s businesses, Mr. Jack Chiang, Chairman of the Group, said, “Putting aside the short-term headwinds, our manufacturing business is well placed for long-term growth. A number of factors, such as our unparalleled reputation for quality and our unique expertise in manufacturing in-demand footwear products including sports-fashion, will continue to underpin the long-term growth of our business. We will continue to build upon these competitive advantages, and develop new ones, in order to deliver results and returns for shareholders.”

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