



Shipment Volumes and Manufacturing Revenue Grow Further in 2Q 2018

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Volumes rise 7.4% during first six months of 2018

Hong Kong, July 12, 2018 – 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 second quarter business update for the three months and six months ended 30 June 2018.

Financial & Operational Highlights:

	For the three months ended 30 June (Unaudited)		For the six months ended 30 June (Unaudited)	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenue (US\$ million)				
- Manufacturing	433.8	431.8	721.2	717.5
- Branding business	4.0	3.2	9.2	7.9
Average selling price per pair (manufacturing) (US\$)	26.1	27.9	24.9	26.6
Total shipment during the period (mil pairs)	16.6	15.5	29.0	27.0

The Group recorded an unaudited consolidated revenue (including the Group’s manufacturing business, branding business, inter-segment sales eliminations and other businesses not covered hereof) of approximately US\$443.5 million (2017: US\$454.7 million¹) and US\$738.1 million (2017: US\$761.7 million¹) for the three months and six months ended 30 June 2018. This represented a decrease of approximately 2.5% and 3.1% respectively as compared to the unaudited consolidated revenue of the corresponding periods for last year. Excluding revenue from our former China retail business and current China wholesale business, our unaudited comparable consolidated revenue for the three months and six months ended 30 June 2018 improved by 1.1% and 0.8% respectively.

¹ The unaudited consolidated revenue for the three months and six months ended 30 June 2017 included revenue of US\$19.5 million and US\$35.3 million from the Group’s former China retail business respectively. The relevant companies are no longer subsidiaries of the Company.

Revenue from our manufacturing operations rose 0.5% and 0.5% respectively to US\$433.8 million and US\$721.2 million for the three and six months ended 30 June 2018. Shipment volumes rose 7.1% and 7.4% over the same periods to 16.6 million pairs and 29.0 million pairs respectively. The increase in shipment volumes was attributed to the ongoing recovery in demand for our fashion footwear products, increased seasonal ordering activity for our casual footwear products and stabilised ordering activity for our fashion athletic footwear products. Rising global trade frictions did not have an impact on the Group's operations during the periods under review.

The average selling price ('ASP') of our footwear products fell 6.5% to US\$26.1 per pair in the three months ended 30 June 2018, which was due to changes to the Group's product mix, as well as its customers' product mix.

Our branding business, anchored by our growing retail business in Europe, performed well during the three months ended 30 June 2018, with retail sales in Europe growing by 25.0% to US\$4.0 million.

Looking forward, we expect demand for our fashion athletic products to continue being our main growth driver, as hinted by the improving performance of a number of key footwear brands, especially in the last few months. Early-phase contributions to the fashion athletic segment from high-end customers are also providing a new foundation for our future growth.

We will also continue to selectively reduce production capacity in some locations in order to improve utilisation efficiency and deliver margin recovery over the medium term, while diligently monitoring the changing trade policies of our major export markets.

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group's performance, "The first half of 2018 was a positive period for the recovery of our business and I am particularly pleased to see ongoing improvement in our shipment volumes. We will continue to focus on improving the value and quality of our footwear products."

Commenting on the outlook for the Group's businesses, **Mr. Jack Chiang, Chairman** of the Group, said, "Although footwear products have yet to be targeted as part of the escalating trade frictions between the United States and Mainland China, we will continue to closely monitor the risk these frictions may pose to our operations. We believe that our current strategy of reducing capacity in some locations while focusing on improving our product allocation and processes will offer the best defense against any future volatility. We will also further focus on research and development in order to "Make the Best Shoes" for our customers."

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