Stella Sees Stability in Retail Business in 3Q 2016

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Group continues to experience increase in demand in athleisure products

Hong Kong, October 18, 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 third quarter business update for the three months and nine months ended 30 September 2016.

Financial & Operational Highlights:

	For the three months ended 30 September (Unaudited)		For the nine months ended 30 September (Unaudited)	
	2016	2015	**2016**	2015
Revenue (US$ million)				
- Manufacturing	**454.9**	557.0	**1,144.5**	1,315.8
- Retail business in China	**16.1**	15.4	**48.8**	53.9
Average selling price per pair (manufacturing) (US$)	**31.2**	33.2	**28.6**	30.4
Total shipment during the period (mil pairs)	**14.6**	16.8	**40.0**	43.3
No. of retail stores in China (As at 30 September)				
- *Stella Luna*			**177**	179
- *What For*			**60**	66
- *JKJY by Stella*			**1**	4
- *Pierre Balmain*			**-**	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$475.3 million (2015: US$569.0 million) and US$1,192.8 million (2015: US$1,366.2 million) for the three months and nine months ended 30 September 2016. This represented a fall of approximately 16.5% and 12.7% as compared to the unaudited consolidated revenue of the corresponding periods of last year.

Revenue from our manufacturing operations fell 18.3% and 13.0% to US$454.9 million and US$1,144.5 million in the three and nine months ended 30 September 2016 respectively. Shipment volumes declined 13.1% and 7.6% over the same periods to 14.6 million pairs and 40.0 million pairs respectively, as compared to the corresponding periods of last year.

The fall in revenue and shipment volumes was mostly attributed to the ongoing decline in orders for our casual footwear products. Despite this, we continued to experience an increase in demand for our athleisure products, which remains one of our key growth drivers.

The average selling price (“ASP”) of our footwear products fell 6.0% to US$31.2 per pair in the three months ended 30 September 2016, which was mostly due to falling raw material costs, particularly for leather; changes in our product mix; as well as greater pricing competition.

We continued the implementation of our retail optimisation strategy during the period under review. We closed some underperforming stores and counters, while opening some multi-brand stores, improving operational efficiencies in our retail segment. The performance of our retail business in China improved 4.6% to US$16.1 million for the three months under review. Its performance for the nine months under review fell 9.5% to US$48.8 million.

As of 30 September 2016, we operated 177 *Stella Luna* stores, 60 *What For* stores and 1 *JKJY by Stella* store in China.

Looking forward, we expect orders for our footwear products to stabilise towards the end of 2016 and the beginning of 2017. At the same time, we expect to improve operational efficiency by implementing strict cost controls as well as further reducing the size of our workforce.

We will also focus on building the long-term competitiveness of our retail business by selectively opening new standalone stores in high-potential locations in China and by expanding our presence in Europe. We will continue to work with leading global retailers and department stores, including *Lane Crawford* and *Barneys New York*, which recently resulted in our retail brands becoming available on their e-commerce platforms, as well as in new markets such as Hong Kong and the United States for the first time.

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group’s performance, “Our retail optimisation strategy is beginning to bear fruit, while on the manufacturing front, we expect reasonable recovery in our margins during the last quarter as the result of our efforts to better allocate our manufacturing capacity and manage our workforce and work hours. We will continue to place meticulous efforts in enhancing operational efficiencies, and quickly respond to our customers’ changing needs.”

Commenting on the outlook for the Group’s businesses, Mr. Jack Chiang, Chairman of the Group, said, “The overall demand and orders for our footwear products are likely to remain subdued in the short-to-medium term. But we are confident that the investments we have made over the last few years to shift our capacity in China to inland provinces, as well as expand our capacity in Vietnam, Indonesia and Bangladesh, will allow us to control our costs in the long-term and profitably meet rising demand for new footwear categories, such as athleisure.”

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For further information, please contact:

Doris Chan
Head of Investor Relations
Email: doris.chan@stella.com.hk