Fashion Athletic Products Drives 5.9% Volume Growth in Q3 2018

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Global Trade Frictions Did Not Affect Group's Operations in the Nine Months Under Review

Relocation of Production Base in Good Progress

Hong Kong, October 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 third quarter business update for the three months and nine months ended 30 September 2018.

Financial & Operational Highlights:

	For the three months ended 30 September (Unaudited)		For the nine months ended 30 September (Unaudited)	
	2018	2017	**2018**	2017
Revenue (US$ million)				
- Manufacturing	**455.2**	443.5	**1,176.4**	1,161.0
- Branding business	**4.8**	4.8	**14.0**	12.7
Average selling price per pair (manufacturing) (US$)	**28.3**	29.2	**26.1**	27.5
Total shipment during the period (mil pairs)	**16.1**	15.2	**45.1**	42.2

For the three months ended 30 September 2018, the Group's unaudited consolidated revenue[1] was approximately US$471.3 million (2017: US$452.4 million), an increase of approximately 4.2% as compared to the unaudited consolidated revenue of the corresponding period of last year.

For the nine months ended 30 September 2018, the Group's unaudited consolidated revenue[1] was approximately US$1,209.4 million (2017: US$1,214.1 million[2]), a decrease of approximately 0.4% as compared to the unaudited consolidated revenue of the corresponding period of last year. However, on a comparable basis (adjusting for the

[1] Includes the Group's manufacturing business, branding business, inter-segment sales eliminations and other businesses not covered hereof.

[2] The unaudited consolidated revenue for the nine months ended 30 September 2017 included revenue of US$36.5 million from the Group's former China retail business. The relevant companies are no longer subsidiaries of the Company.

Group's former China retail business), our unaudited comparable consolidated revenue for the nine months ended 30 September 2018 improved by 1.7%.

Revenue from our manufacturing operations rose 2.6% and 1.3% respectively to US$455.2 million and US$1,176.4 million for the three and nine months ended 30 September 2018. Shipment volumes rose 5.9% and 6.9% over the same periods to 16.1 million pairs and 45.1 million pairs respectively. The increase in shipment volumes was attributed to the robust ordering activity for our fashion athletic footwear products and increase in ordering activity for our casual 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 3.1% to US$28.3 per pair in the three months ended 30 September 2018, which was due to changes to the Group's product mix and customer mix.

Revenue from our branding business, anchored by our retail business in Europe, for the three months ended 30 September 2018 was flat when compared to that of the corresponding period in 2017.

Looking forward, we expect a steady expansion in demand for our fashion athletic footwear products. Fashion athletic footwear products will continue to remain our main growth driver, while we expect demand for our casual and fashion footwear products to stabilise further.

We will continue to selectively reduce production capacity in China in order to improve utilisation efficiency and deliver margin recovery over the medium term.

We will also continue to monitor external events that could impact our business and operating environments, such as the current trade tensions between the U.S. and China.

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group's performance, "It is pleasing to see the continued recovery in demand for our footwear products. We will continue to seek further manufacturing efficiency gains in order to improve our margins."

Commenting on the outlook for the Group's businesses, **Mr. Jack Chiang, Chairman** of the Group, said, "We will closely monitor events that may impact our business environment, such as an extension of U.S. trading tariffs to include Chinese-made footwear products. We are making significant progress in reallocating our production base to reduce the share of manufacturing capacity in China considerably within the next year. Once this process is completed, we expect the impact to the Group from any extension of tariffs on Chinese-made footwear products to be minimal."

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