Stellar Operating Performance with Over 50% Growth in 1H 2019

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Stella Group Continues to See Positive Impact From Margin Expansion Strategy

Hong Kong, July 18, 2019 – 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 2019.

<u>Financial & Operational Highlights:</u>

	For the three months ended 30 June (Unaudited)		For the six months ended 30 June (Unaudited)	
	2019	2018	**2019**	2018
Revenue (US$ million)				
- Manufacturing	**435.4**	433.8	**742.5**	721.2
- Branding business	**2.9**	4.0	**5.9**	9.2
Average selling price per pair (manufacturing) (US$)	**25.9**	26.1	**25.2**	24.9
Total shipment during the period (mil pairs)	**16.8**	16.6	**29.5**	29.0

For the three months ended 30 June 2019, the Group’s unaudited consolidated revenue[1] was approximately US$438.0 million (2018: US$443.5 million). This represented a decrease of approximately 1.2% compared to the unaudited consolidated revenue of the corresponding period of last year.

For the six months ended 30 June 2019, the Group’s unaudited consolidated revenue[1] was approximately US$750.6 million (2018: US$738.1 million). This represented an increase of approximately 1.7% compared to the unaudited consolidated revenue of the corresponding period of last year.

Revenue from our manufacturing operations increased by 0.4% and 3.0% to US$435.4 million and US$742.5 million respectively in the three months and six months ended 30 June 2019. Shipment volumes rose 1.2% and 1.7% over the same periods to 16.8 million pairs

[1] Includes the Group’s manufacturing business, branding business and other businesses not covered hereof, and after the elimination of inter-segment sales.

and 29.5 million pairs respectively. The increase in revenue was driven by robust ordering for our fashion sports footwear. Global trade frictions did not have any material impact on the Group's operations during the period under review.

The average selling price ('ASP') of our products rose to US$25.2 per pair for the six months ended 30 June 2019, which was mostly driven by changes to the Group's product mix and customer mix.

Based on the preliminary review of our unaudited consolidated management accounts for the six months ended 30 June 2019 and currently available information, we expect an improvement in EBIT (earnings before interest and taxes) of no less than 50% and an improvement in profit after tax of no less than 70% for the six months ended 30 June 2019, as compared with those for the corresponding period of 2018. The increase in EBIT was mostly attributable to a moderate year-on-year improvement in the production efficiency and the continued ramp-up of our new manufacturing facility in Vietnam; further re-allocation of our production capacity from China to South East Asia; and a much-enhanced product mix and customer mix.

Looking forward, we expect further volume growth for our fashion sports footwear products in the second half of 2019, while we will continue to focus on improving the performance of our fashion and casual footwear businesses. ASP for the rest of 2019 is expected to remain stable depending on our product mix and our customers' product mix.

We will continue to prioritise margin expansion by increasing our production efficiency while further re-allocating our production capacity from China to South East Asia and by ramping-up our new manufacturing facility in Vietnam, as well as by enhancing our product mix. We will also continue to closely monitor potential risks to our operations arising from external events, particularly ongoing trade negotiations between the United States and China.

Mr. Chi Lo-Jen, Chief Executive Officer of the Group, commented on the Group's performance, "We continued to benefit from our strategy of prioritising margin expansion over volume growth, as well as our decision to implement customised strategies for different product categories. Most importantly, more and more of our customers are recognising the value of our craftsmanship, flexibility, high-end product quality, speed to market and on-time delivery."

Commenting on the outlook for the Group's businesses, **Mr. Lawrence Chen, Chairman** of the Group, said, "Despite prevailing uncertainties about possible trade tariffs by the United States on foreign-made footwear, we expect our performance will improve for the full year."

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