Stella on Track to Reach Targeted Full-Year Recurring Operating Margin

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Robust ordering activity for Fashion Sports Footwear in 4Q 2019

Hong Kong, January 16, 2020 – 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 2019.

Financial & Operational Highlights:

	For the three months ended 31 December (Unaudited)		For the year ended 31 December (Unaudited)	
	2019	2018	**2019**	2018
Revenue (US$ million)				
- Manufacturing business	**339.9**	374.3	**1,530.3**	1,550.7
- Branding business	**2.7**	3.3	**9.3**	17.3
Average selling price per pair (manufacturing) (US$)	**24.7**	24.8	**25.8**	25.8
Total shipment during the period (million pairs)	**13.8**	15.1	**59.4**	60.2

As of 31 December 2019, the Group's margin expansion initiatives – namely, improving our production efficiency, adjusting our production capacity from China to Southeast Asia, and improving our product mix and customer mix – were on track and in line with our expectations to achieve the targeted full-year recurring operating margin. We also finalised our plans to expand our manufacturing operations in Southeast Asia, in particular adding a new production facility in Indonesia.

For the three months ended 31 December 2019, the Group's unaudited consolidated revenue[1] decreased by 10.6% to approximately US$345.4 million (2018: US$386.5 million), as we continued to focus on margin expansion over volume growth.

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

For the year ended 31 December 2019, the Group's unaudited consolidated revenue[1] was mostly flat, reaching approximately US$1,545.3 million (2018: US$1,595.9 million).

Revenue from our manufacturing operations decreased by 9.2% and by 1.3% to US$339.9 million and US$1,530.3 million respectively in the three months and year ended 31 December 2019. This was mostly driven by a decrease in shipment volumes, which fell by 8.6% and 1.3% over the same periods to 13.8 million pairs and 59.4 million pairs respectively.

We continued to see robust ordering activity for our fashion sports footwear, despite the decline in overall shipment volumes during the periods under review. Revenue growth in the three months and year ended 31 December 2019 was impacted by a high base effect and our continued focus on margin improvement over shipment volume growth. Nevertheless, we continued to progress our margin expansion initiatives during these periods. Global trade frictions did not have any material impact on the Group's operations during the periods under review.

The year-on-year movements in overall average sell price ("ASP") for the three months and year ended 31 December 2019 were mostly flat, with the Group continuing to make changes to its product mix and customer mix during the periods under review.

Looking forward into 2020, we will continue to prioritise margin expansion by strengthening our efforts to adjust production capacity from China to South East Asia, by enhancing our production efficiency, as well as by managing our product mix. Therefore, we expect a flat overall shipment volume growth for the year, despite our expectation that the shipment volume for our fashion sports footwear will continue to grow. We will also continue to improve the performance of our fashion and casual footwear businesses. ASP is expected to remain stable depending on our customer mix and its customers' product mix.

Mr. Chi Lo-Jen, Chief Executive Officer of the Group, commented on the Group's performance, "We look set to achieve our recurring operating margin expectation for the full-year as we continue to actively manage our manufacturing operations and optimise our product and customer mix. While this strategy continues to restrain volume growth in the short-term, it will enable us to boost our profitability while positioning us for long-term sustainable growth."

Commenting on the outlook for the Group's businesses, **Mr. Lawrence Chen, Chairman** of the Group, said, "We are confident that we will maintain strong earnings growth momentum heading into 2020, while shipment volumes will likely remain stable. In the meantime, we will initiate our plan to further expand our manufacturing operations in South East Asia, particularly in Indonesia, while continuing to deliver the high standard of quality and service that our customers expect."

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