Stella Proceeding with Long-Term Strategy
Amid Ongoing Uncertainties

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Group's financial position remains solid with sufficient cash on hand and total undrawn bank facilities of over US$180 million

Hong Kong, July 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 second quarter business update for the three months and six months ended 30 June 2020.

Financial & Operational Highlights:

	For the three months ended 30 June (Unaudited)		For the six months ended 30 June (Unaudited)	
	2020	2019	**2020**	2019
Revenue (US$ million)				
- Manufacturing	**247.8**	435.4	**504.5**	742.5
Average selling price per pair (manufacturing) (US$)	**26.4**	25.9	**24.7**	25.2
Total shipment during the period (mil pairs)	**9.4**	16.8	**20.4**	29.5

The unprecedented global outbreak of COVID-19 has made our operating environment extremely challenging. The slowdown of economic activities, including lockdowns in many countries, resulting from the pandemic, significantly impacted the business of our brand customers and disrupted some of our production facilities in China and Southeast Asia. As a result of this adverse situation, our unaudited consolidated revenue[1] decreased by 43.4% to approximately US$248.0 million (2019: US$438.0 million) for the three months ended 30 June 2020 and decreased by 31.9% to approximately US$511.2 million (2019: US$750.6 million) for the six months ended 30 June 2020, as compared to the corresponding periods of the last financial year.

[1] Including our manufacturing business, branding business and other businesses not covered hereof, and after the elimination of inter-segment sales.

The fall in revenue and shipment volume for the three months ended 30 June 2020 was attributable to the COVID-19 pandemic, which prompted customers to delay and cancel orders and shipments, as well as changing seasonal orders patterns with more customers requiring shorter lead times compared to the same period of the last financial year.

The average selling price ('ASP') of our products rose 1.9% to US$26.4 per pair, for the three months ended 30 June 2020, which was mostly driven by changes to our product mix and customer mix.

Based on the preliminary review of our unaudited consolidated management accounts for the six months ended 30 June 2020, and currently available information, the Group expects that a net loss may be recorded for the period as compared with a net profit for the corresponding period of 2019. The loss was mainly attributable to:

(a) a significant decrease in shipment volumes due to customers delaying and cancelling orders and shipments as a result of the COVID-19 pandemic, as well as changing seasonal order trends;

(b) higher one-off costs incurred from:

  i. severance payments and impairment of property, plant and equipment made and incurred in connection with the permanent closure of factories in Mainland China, as we accelerate our planned migration of production capacity to Southeast Asia; and

  ii. overhead costs related to temporary factory closures in Mainland China, the Philippines and Bangladesh, incurred to comply with local government measures to curb the spread of COVID-19; and

(c) operating deleverage due to workers at some of the factories in Mainland China, Indonesia and Vietnam being granted extra days off by the Group because of the reduction in orders, which led to lower utilisation of these production facilities.

Looking forward, while the retail sales of our brand customers are recovering gradually, there is still considerable uncertainty surrounding how the COVID-19 pandemic may impact on the sales and order visibility of our manufacturing business in the second half of 2020. In the meantime, we will continue to implement internal initiatives such as improving manufacturing efficiency, and tightening cost controls, enhancing our operations and exploring new customer opportunities to grow our business. This will enable us to better weather the challenging external environment while ensuring that we are well-placed to restore capacity in a more advantageous and margin-accretive manner when demand normalises.

At present, with dedicated efforts in cash flow management, our financial position remains solid with sufficient cash on hand and total undrawn bank facilities of over US$180 million to meet its current business needs. While exerting tight control over its capital expenditure, we are proceeding with our plan to set up a new factory in Indonesia in the second half of 2020 to enhance our cost efficiency and competitiveness in the long-term.

Mr. Chi Lo-Jen, Chief Executive Officer of the Group, commented on the Group's performance, "The impact of the global COVID-19 pandemic has been unprecedented. It has severely affected the retail sector around the world and the business of our brand customers. At the same time, our manufacturing operations were disrupted by local shutdown measures and low utilisation. We will continue to optimise our customer and product mix while accelerating the reallocation of our production capacity away from China and growing a stronger production base in Southeast Asia."

Commenting on the outlook for the Group's businesses, **Mr. Lawrence Chen, Chairman** of the Group, said, "There are some signs that the situation is improving although our operating environment remains highly uncertain. We will continue to proceed with our strategies of engaging with high-end athleisure customers and sports brands to explore opportunities and grow our business. We will also enhance our operations and cost-efficiency over the long-term by further expanding in Indonesia while undertaking measures to protect our financial integrity and strengthen our cost controls. This remains essential for our competitiveness and long-term profitability."

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For further information, please contact:

Macy Leung
Head of Investor Relations
Email: macy.leung@stella.com.hk