

[For immediate release]



Unseasonable Weather Contributes to Slower Start to 2016

* * * * *

Revenue and shipments down 5.9% and 4.5% ahead of expected pick-up in the second half of 2016

Hong Kong, April 7, 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 first quarter business update for the three months ended 31 March 2016.

Financial & Operational Highlights:

	For the three months ended 31 March (Unaudited)	
	<u>2016</u>	<u>2015</u>
Revenue (US\$ million)		
- Manufacturing	267.6	286.2
- Retail business in China	15.0	17.5
Average selling price per pair (manufacturing) (US\$)	25.2	25.8
Total shipment during the period (mil pairs)	10.6	11.1
No. of retail stores in China (As at 31 March)	238	253
- <i>Stella Luna</i>	174	176
- <i>What For</i>	60	72
- <i>JKJY by Stella</i>	3	4
- <i>Pierre Balmain</i>	1	1

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\$280.3 million (2015: US\$298.0 million) for the three months ended 31 March 2016. This represented a fall of approximately 5.9% compared to the unaudited consolidated revenue of the corresponding period of last year.

Revenue from our manufacturing operations fell 6.5% to US\$267.6 million in the three months ended 31 March 2016. Shipment volumes declined 4.5% to 10.6 million pairs during the same period.

The fall in revenue and shipment volumes was mostly attributable to lower confidence among some customers in response to an unseasonably slow start to winter in 2015, which affected their confidence in ordering for Spring/Summer 2016.

The average selling price (“ASP”) of our products fell 2.3% to US\$25.2 per pair, which is mostly due to lower raw material costs, particularly for leather.

Slowing economic growth in China continued to challenge our retail business, with sales of our *Stella Luna*, *What For*, *JKJY by Stella* and *Pierre Balmain* branded footwear products (in China only) falling 14.3% to US\$15.0 million. Same-store sales declined 22.4% during the period under review.

As of 31 March 2016, the Group operated a total of 174 *Stella Luna* stores, 60 *What For* stores, 3 *JKJY by Stella* stores and 1 *Pierre Balmain* store in China.

Looking forward, we expect volume growth to return to normal levels in the second half of the year. Moreover, demand for certain segments, particularly sports fashion footwear, is expected to remain strong. With these conditions in mind, we will continue to implement strict cost controls and efficiency measures to maintain our competitive advantages and the level of value we provide our customers.

We will also continue to implement our retail optimisation strategy, which includes the selective opening of new standalone stores in high-potential shopping mall locations in China and the further expansion of our presence in Europe to grow the global value of our brands. We are also working together with leading retailers around the world on new initiatives to boost the global visibility of our retail brands.

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group’s performance, “Our financial performance remains robust and has managed to withstand ongoing risk adverseness among some customers. We are also cautiously confident that growing demand for sports fashion footwear will be able to cover reduced orders in other segments such as casual footwear. We will continue to focus on improving efficiency and delivering quality to our customers ahead of an expected recovery in shipments in the second half of 2016.”

Commenting on the outlook for the Group’s businesses, Mr. Jack Chiang, Chairman of the Group, said, “The coming year will be a tough one for many retailers as they grapple with slowing economic growth, changing consumer behaviour and weather-related events. However, we are optimistic that the investments we have made to control our overheads and develop innovative footwear products has positioned us well for long-term growth.”

####

For further information, please contact:

Jenny Wu
Investor Relations Manager
Email: jenny.wu@stella.com.hk