



Athleisure Products Remain Stella's Growth Driver

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*Manufacturing revenue decline narrowed in three months ended 31 December 2016;
ASP higher over the final quarter*

Hong Kong, January 13, 2017 – 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 2016.

Financial & Operational Highlights:

	For the three months ended 31 December (Unaudited)		For the year ended 31 December (Unaudited)	
	2016	2015	2016	2015
Revenue (US\$ million)				
- Manufacturing	342.0	389.2	1,486.5	1,705.0
- Retail business in China	19.7	17.0	68.5	70.9
Average selling price per pair (manufacturing) (US\$)	26.5	26.1	28.1	29.3
Total shipment during the period (mil pairs)	12.9	14.9	52.9	58.2
No. of retail stores in China (As at 31 December)				
- <i>Stella Luna</i>			185	177
- <i>What For</i>			57	61
- <i>JKJY by Stella</i>			1	3
- <i>Pierre Balmain</i>			-	2

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\$356.2 million (2015: US\$396.6 million) and US\$1,549.0 million (2015: US\$1,762.8 million) for the three months and year ended 31 December 2016. This represented a decline of approximately 10.2% and 12.1% respectively, as compared to the unaudited consolidated revenue of the corresponding periods of last year.

Revenue from our manufacturing operations fell 12.1% and 12.8% to US\$342.0 million and US\$1,486.5 million in the three months and year ended 31 December 2016 respectively. Shipment volumes declined 13.4% and 9.1% over the same periods to 12.9 million pairs and 52.9 million pairs respectively, as compared to the corresponding periods of last year.

The decline in revenue and shipment volumes was mostly attributed to the continued weakness in the casual footwear products. This was partially offset by the increasing demand for our athleisure products, which remains one of our key growth drivers.

The average selling price (“ASP”) of our footwear products was stable at US\$26.5 per pair, an increase of 1.5% for the three months ended 31 December 2016, mainly attributable to changes to our product mix.

We continued to see a further recovery in our retail business, with revenue (in China only) rising 15.9% to US\$19.7 million in the three months ended 31 December 2016 and declining 3.4% to US\$68.5 million in the year ended 31 December 2016. The rise in the three months was mostly attributable to higher operational efficiencies resulting from our ongoing retail optimisation strategy, as well as other changes implemented by our new retail management team. Same-store sales improved 11.9% during the final quarter of 2016.

As of 31 December 2016, we operated 185 *Stella Luna* stores, 57 *What For* stores and 1 *JKJY by Stella* store in China.

Looking forward, we see demand for our footwear products stabilising in the first half of 2017, due to continued economic recovery in the United States. We will also continue to benefit from ongoing improvements to our operational efficiency. We will also focus on building the long-term competitiveness of our retail business by selectively opening new standalone stores in high-potential locations in China, expanding our presence in Europe and working with leading global retailers and department stores to expand the availability of our retail brands worldwide.

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group’s performance, “The weak global demand for casual footwear products continued to affect our overall performance during the final quarter of the year. However, demand for new product types, such as athleisure, has moderated the decline in revenue. Our performance should stabilise in 2017 as we continue to optimise our manufacturing capacity in a more solid ASP environment.”

Commenting on the outlook for the Group’s businesses, Mr. Jack Chiang, Chairman of the Group, said, “As the market continues to change, we will further optimise and diversify our manufacturing base in China, Vietnam, Indonesia and Bangladesh, in order to boost our competitiveness and better cater for the rising demand for athleisure products, without impacting the high product quality we are known for.”

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