



Shipment Volumes Recover Further in 1Q 2018

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Shipment volumes up 7.8%, supported by demand for fashion, casual and fashion athletic footwear

Hong Kong, April 12, 2018 – 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 2018.

Financial & Operational Highlights:

	For the three months ended 31 March (Unaudited)	
	<u>2018</u>	<u>2017</u>
Revenue (US\$ million)		
- Manufacturing	287.4	285.7
- Branding business	5.2	4.7
Average selling price per pair (manufacturing) (US\$)	23.2	24.8
Total shipment during the period (mil pairs)	12.4	11.5

The Group recorded an unaudited consolidated revenue (including the Group’s manufacturing business, branding business, inter-segment sales eliminations and other businesses not covered hereof) of approximately US\$294.6 million (2017: US\$307.0 million¹) for the three months ended 31 March 2018. This represented a decrease of approximately 4.0% compared to the unaudited consolidated revenue of the corresponding period of last year.

Revenue from our manufacturing operations rose 0.6% to US\$287.4 million in the three months ended 31 March 2018. Shipment volumes continued to recover, rising 7.8% to 12.4 million pairs during the same period. The increase in shipment volumes was attributed to the ongoing recovery in demand for our fashion footwear products, increased seasonal ordering activity for our casual footwear products and normalised ordering activity for our fashion athletic footwear products.

The average selling price (‘ASP’) of our products fell to US\$23.2 per pair, which was mostly

¹ The unaudited consolidated revenue for the three months ended 31 March 2017 included revenue of US\$15.8 million from the Group’s former China retail business. The relevant companies are no longer subsidiaries of the Company.

due to changes to the Group's product mix, as well as its customers' product mix.

Our branding business, anchored by our growing retail business in Europe, performed well during the three months ended 31 March 2018, with retail sales in Europe growing by 10.6% to US\$5.2 million. Same-store sales in Europe rose by 16.7% during the same period.

Looking forward, we will continue to selectively reduce capacity in some locations in order to improve utilisation and deliver margin recovery over the medium term. We expect demand for our fashion products to recover further during the rest of the year, while demand for our fashion athletic will follow a more normal long-to-medium term growth path and remain the Group's primary growth driver, notwithstanding temporary shocks such as tariff threats. We are also continuing to see early-phase contributions to the fashion athletic segment from high-end customers, which could provide a new foundation for our future growth.

We will further expand our directly owned retail store network in Europe and other markets going forward, as well as our commitment to developing the global profile and desirability of our *Stella Luna*, *What For* and *JKJY by Stella* brands (which we continue to control and for which we remain the exclusive manufacturer).

Mr. Lawrence Chen, Chief Executive Officer of the Group, commented on the Group's performance, "I am pleased to see further recovery in our overall shipment volumes, which we expect will continue. We will continue to work closely with them to increase the value and quality of our footwear products."

Commenting on the outlook for the Group's businesses, **Mr. Jack Chiang, Chairman** of the Group, said, "While the current trade frictions between the United States and China has not affected the footwear industry so far, we remain highly vigilant of risks emerging from the external environment. We will focus further on our research and development, improving our production allocation and processes, as well as on efficiency and cost controls, while continuing to 'Make the Best Shoes' for our customers."

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