



Stella Reports Robust Rise in Profit in First Half of 2022 in Accordance With Strategy

Highlights:

- Revenue increased by 18.9% with support from 9.4% growth in shipment volume and 7.8% increase in ASP
- Net profit increased by 87% to US\$60.2 million, resulted from increased revenue, enhanced customer mix and better operating leverage
- Long-term capacity expansion and diversification initiatives remain on track
- Declared interim dividend of HK¢42, representing a payout ratio of about 70%

Hong Kong, 18 August 2022 – Stella International Holdings Limited (“Stella” or the “Group”; SEHK: 1836), a leading developer, manufacturer and retailer of quality footwear and leather goods products, today announced its interim results for the six months ended 30 June 2022.

In the first half of 2022, we saw a significant improvement in our operating profit year-on-year as a result of our increased revenue, enhanced customer mix and better operating leverage. This outcome is in line with our ongoing margin-expansion strategy. Our long-term capacity expansion and diversification initiatives also remained on track as we continue to ramp up our new factory in Solo, Indonesia.

Business Performance

Our consolidated revenue for the six months ended 30 June 2022 increased by 18.9% to US\$827.2 million, compared to US\$695.5 million in the same period of last year. This was mostly attributable to increased orders within our manufacturing business with shipment volumes increasing by 9.4% to 29.0 million pairs, compared to 26.5 million pairs in the same period of last year, led by our Fashion, Sports and Luxury footwear segments.

Our reported operating profit for the period under review increased by 89% to US\$68.6 million, compared to US\$36.3 million in the same period of last year.

Due to the factors outlined above, the Group recorded a net profit of US\$60.2 million, compared to US\$32.2 million in the same period of last year.

As we work towards implementing our strategies, we remain committed to returning profit and providing attractive returns to our shareholders. After considering the Group’s free cash flow situation, the Board has resolved to declare an interim dividend of HK42 cents per ordinary share for the six months ended 30 June 2022, representing a payout ratio of about 70%.

Outlook

The rapidly changing macroeconomic and geopolitical environment is clouding our order book visibility for the second half of the year although we remain cautiously optimistic about seeing a moderate increase in full-year shipment volumes compared to 2021.

We are committed to our major long-term capacity expansion projects, with the ramp-up of our new manufacturing facility in Solo, Indonesia, remaining on track. We also remain committed to our previously announced plan to invest in a new manufacturing facility in another part of Indonesia for our major Sports customer.

Mr. Chi Lo-Jen, Chief Executive Officer of the Group said, "Our performance in the first half of the year was within expectations as we continued to implement and benefit from our margin-accretive strategies. While external pressures this year have turned out to be higher than expected, we have weathered the storm well so far as a result of our strategy to enhance our customer portfolio with focus on Sports and Luxury categories, alongside a strong recovery in our Fashion category."

Mr. Lawrence Chen, Chairman of the Group, said, "As inflation and higher interest rates start to impact consumer sentiment, demand for some of our products may be less promising in the subsequent months when compared to plans set at the beginning of the year. But the long-term fundamentals of our business remain strong and we are constantly improving our long-term cost base and operational efficiency. We also look forward to introducing additional manufacturing capacity next year in a competitive manner, allowing us to continue growing with our customers."

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About Stella International Holdings Limited

Stella International (SEHK: 1836) is a leading developer and manufacturer of quality footwear and leather goods. A trusted partner to many of the world's most sought-after brands, it offers a unique proposition of unparalleled craftsmanship, production flexibility, and strong speed-to-market and commercialization capability, supported by a broad, diverse and proven manufacturing base across China and Southeast Asia.

Stella International was listed on the Hong Kong Stock Exchange in 2007 and is a constituent of the MSCI Hong Kong Small Cap Index.

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