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Stella International Holdings Limited
九興控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1836)

**MASTER SUPPLY AGREEMENT
FOR SUPPLY OF FOOTWEAR PRODUCTS**

CONTINUING CONNECTED TRANSACTIONS

The Mountain Gear Group has been one of the Group's customers and the Group has been manufacturing and supplying the Merchandise to the Mountain Gear Group since June 2008. For the year ended 31 December 2008 and the six months ended 30 June 2009, the Group's sales to the Mountain Gear Group for the Merchandise amounted to approximately US\$146,000 and US\$137,000, respectively. Immediately after completion of the Subscription on 21 August 2009, Mountain Gear became an associate of Mr. Lawrence Chen, an executive Director and a connected person of the Company who is entitled to control the exercise of more than 30% interest in Mountain Gear by virtue of his interest therein through SIOL. Accordingly, the Mountain Gear Group is a connected person of the Company under the Listing Rules.

Upon completion of the Subscription, the supply of the Merchandise to the Mountain Gear Group by the Group constituted continuing connected transactions of the Company under the Listing Rules. As the supply of the Merchandise to the Mountain Gear Group by the Group forms part of the usual and ordinary course of business of the Group, the Directors expected that such supply to the Mountain Gear Group would continue and the Group therefore entered into the Master Supply Agreement with the Mountain Gear Group to regulate the supply and procurement of Merchandise on 21 August 2009. The transactions contemplated under the Master Supply Agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

* For identification purpose only

As each of the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Master Supply Agreement, on an annual basis, is expected to be less than 2.5% for the period from 21 August 2009 to 31 December 2009 and for the years ending 31 December 2010 and 2011, the transactions contemplated under the Master Supply Agreement constitute the continuing connected transactions of the Company and are only subject to the announcement and reporting requirements under Rules 14A.45 and 14A.47 of the Listing Rules but exempt from the independent shareholders' approval requirements pursuant to Rule 14A.48 of the Listing Rules.

INTRODUCTION

The Mountain Gear Group has been one of the Group's customers and the Group has been manufacturing and supplying the Merchandise to the Mountain Gear Group since June 2008. For the year ended 31 December 2008 and the six months ended 30 June 2009, the Group's sales to the Mountain Gear Group for the Merchandise amounted to approximately US\$146,000 and US\$137,000, respectively.

On 21 August 2009, SIOL, a company wholly-owned by Mr. Lawrence Chen, an executive Director, subscribed for 45% of the enlarged issued share capital of Mountain Gear. Immediately after completion of the Subscription, Mountain Gear became an associate of Mr. Lawrence Chen, an executive Director and a connected person of the Company who is entitled to control the exercise of more than 30% equity interest in Mountain Gear by virtue of his interest therein through SIOL. Accordingly, Mountain Gear becomes a connected person of the Company under the Listing Rules upon completion of the Subscription.

Upon completion of the Subscription, the supply of the Merchandise to the Mountain Gear Group by the Group constituted continuing connected transactions of the Company under the Listing Rules. As the supply of the Merchandise to the Mountain Gear Group by the Group forms part of the usual and ordinary course of business of the Group, the Directors expected that such supply to the Mountain Gear Group would continue and therefore the Group entered into the Master Supply Agreement with the Mountain Gear Group on 21 August 2009 to regulate the supply and procurement of Merchandise.

MASTER SUPPLY AGREEMENT

Date : 21 August 2009

Parties : SIL (for itself and as trustee for the other members of the Group), as supplier
Mountain Gear (for itself and as trustee for the other members of the Mountain Gear Group), as purchaser

Pursuant to the Master Supply Agreement, the Group has agreed to manufacture and/or supply the Merchandise from time to time ordered by members of the Mountain Gear Group at prices to be determined and agreed upon by the Group and the Mountain Gear Group on an arm's length basis, provided that the price and other terms of such supply shall be on normal and usual commercial terms and are no more favourable to the Mountain Gear Group than those applicable to the supply of the same type and quality of footwear products for comparable quantity by the Group to independent third party purchasers. The purchase price shall be payable by the Mountain Gear Group on "open account" basis within 30 days after the date of the relevant invoice issued by the Group to the relevant member of the Mountain Gear Group for such supply except that (a) where the then aggregate outstanding purchase price payable by the Mountain Gear Group to the Group under other purchase order(s) shall exceed US\$1 million, the purchase price under the relevant purchase order shall be immediately due and payable; and (b) in respect of Merchandise for delivery during the period from June to August each year, the Mountain Gear Group may elect to extend the credit period to a period of 90 days from the date of the relevant invoice in consideration of an increase in the purchase price by 1.5% of the original purchase price. The Master Supply Agreement is for a term from 21 August 2009 to 31 December 2011, with an option for the Group to renew the Master Supply Agreement for successive terms of three years and on the same terms and conditions, unless terminated earlier pursuant to the terms and conditions of the Master Supply Agreement. The Company will take immediate steps to ensure compliance with the then prevailing requirements under the Listing Rules upon renewal of the Master Supply Agreement.

Under the Master Supply Agreement, subject to the prior written consent from the Mountain Gear Group, the Group may from time to time subcontract all or any part of the manufacture of the Merchandise and/or Trims to the subcontractors to be engaged and designated by the Group. The Mountain Gear Group shall reimburse all the costs and expenses of the Group for the production of the Merchandise under the Master Supply Agreement, including the costs and expenses incurred by the Group and/or its subcontractors for the tools, equipment and Trims for the production of the Merchandise plus a reasonable profit margin. Any tools, equipment and Trims for the production of the Merchandise shall, upon full amortisation of their costs and against the reimbursement in full of the related costs and expenses by the Mountain Gear Group, become the permanent property of the Mountain Gear Group.

The terms of the Master Supply Agreement were arrived at after arm's length negotiation between the Group and the Mountain Gear Group and are fair and reasonable so far as the Group and the Shareholders are concerned. There are no material changes in the terms of the Master Supply Agreement and the relevant supply agreements entered into between the Group and the Mountain Gear Group prior to the completion of the Subscription.

Annual caps

The Directors expect that the annual monetary value of the consideration receivable by the Group from the Mountain Gear Group for the manufacture and/or supply of the Merchandise under the Master Supply Agreement and costs and expenses to be incurred thereunder (including subcontracting fees) will not exceed (i) US\$1 million (equivalent to approximately HK\$7.8 million) for the period from 21 August 2009 to 31 December 2009; (ii) US\$4.3 million (equivalent to approximately HK\$33.5 million) for the year ending 31 December 2010; and (iii) US\$6.7 million (equivalent to approximately HK\$52.3 million) for the year ending 31 December 2011.

The said annual caps were concluded by reference to the projected sales of the Merchandise and expansion of business of the Mountain Gear Group in the Territory in the coming years. In particular, it is expected that Mountain Gear Group will further expand its business scale and product offerings with the introduction of Mr. Chen as its investor through the Subscription and the enlargement of its capital base as a result thereof.

In the event that the aggregate consideration receivable by the Group under the Master Supply Agreement exceeds the respective annual cap for any of the three years ending 31 December 2011, the Company will comply with all the relevant requirements of Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The Group has been principally engaged in the development and manufacturing of footwear products for casual and fashion footwear companies worldwide. The Master Supply Agreement helps the parties formalise the supply and procurement of the Merchandise between the Group and the Mountain Gear Group on the one hand, and build up long-term collaboration with the Mountain Gear Group, which is the owner and/or licensed user of certain international footwear brands on the other hand.

The Directors (including the independent non-executive Directors) are of the opinion that (i) the Master Supply Agreement has been entered into in the usual and ordinary course of business of the Group; (ii) the terms and conditions of the Master Supply Agreement have been negotiated, and will be conducted, on an arm's length basis and on normal commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the annual caps for the Master Supply Agreement are fair and reasonable.

INFORMATION ON THE PARTIES TO THE TRANSACTIONS

The Group has been principally engaged in the development and manufacturing of footwear products for casual and fashion footwear companies worldwide. It has also established its retail distribution network and introduced its own brands of fashion footwear.

SIL is an international company with limited liability incorporated in the Republic of Vanuatu and is principally engaged in investment holding business.

Mountain Gear is a limited liability company formed in the British Virgin Islands and is an investment holding company, with its current subsidiary principally engaged in the sales and distribution of the footwear products.

LISTING RULES IMPLICATION

As Mountain Gear is an associate of Mr. Lawrence Chen, an executive Director and a connected person of the Company who is entitled to control the exercise of more than 30% interest in Mountain Gear by virtue of his interest therein through SIOL, Mountain Gear is a connected person of the Company under the Listing Rules. The transactions contemplated under the Master Supply Agreement constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Master Supply Agreement, on an annual basis, is expected to be less than 2.5% for the period from 21 August 2009 to 31 December 2009 and for the years ending 31 December 2010 and 2011, the transactions contemplated under the Master Supply Agreement constitute the continuing connected transactions of the Company and are only subject to the announcement and reporting requirements under Rules 14A.45 and 14A.47 of the Listing Rules but exempt from the independent shareholders' approval requirements pursuant to Rule 14A.48 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

“annual caps”	the maximum aggregate annual value for the manufacture and supply of the Merchandise by the Group pursuant to the Master Supply Agreement
“applicable percentage ratios”	percentage ratios as defined under Rule 14.07 of the Listing Rules
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules
“BVI”	the British Virgin Islands

“Company”	Stella International Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the ordinary shares of which are listed on the Stock Exchange
“Directors”	directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Supply Agreement”	the master supply agreement dated 21 August 2009 and entered into between SIL (for itself and as trustee for the other members of the Group) as supplier and Mountain Gear (for itself and as trustee for the other members of the Mountain Gear Group) as purchaser in relation to the supply and procurement of the Merchandise
“Merchandise”	the footwear products of all brands owned by or licensed to the Mountain Gear Group from time to time
“Mountain Gear”	Mountain Gear Ltd., a BVI business company incorporated in the BVI which is owned as to 45% by SIOL. The remaining 55% of the issued share capital of Mountain Gear is owned by a limited liability company incorporated in the United States of America which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is, and its ultimate beneficial owners are, third parties independent of the Group and its connected persons
“Mountain Gear Group”	Mountain Gear and its subsidiaries
“Mr. Lawrence Chen”	Mr. Chen Li-Ming, Lawrence, an executive Director
“PRC”	the People’s Republic of China
“Shareholders”	the shareholders of the Company

“SIL”	Stella International Limited, an international company with limited liability incorporated in the Republic of Vanuatu and a wholly-owned subsidiary of the Company
“SIOL”	Stella Investments Overseas Limited, an international business company incorporated in the BVI and a company wholly owned by Mr. Lawrence Chen
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of 45% of the enlarged issued share capital of Mountain Gear by SIOL
“Territory”	the PRC, Hong Kong, The Macau Special Administrative Region and Taiwan
“Trims”	the components and accessory items of a Merchandise that bear a trademark, logos or designs utilised in the Merchandise and/or labeling or packaging thereof
“US\$”	United States dollars, the lawful currency of the United States of America

For the purpose of this announcement, exchange rate of HK\$7.8 = US\$1 has been used for currency conversions. This is for the purpose of illustration only and does not constitute a representation that any amounts in HK\$ or US\$ have been, could have been or may be converted at such rate or any other exchange rates.

By order of the Board
Stella International Holdings Limited
Chiang Jeh-Chung, Jack
Chairman

Hong Kong, 26 August 2009

As at the date of this announcement, the executive Directors are Mr. Chiang Jeh-Chung, Jack, Mr. Shih Takuen, Daniel, Mr. Chao Ming-Cheng, Eric, Mr. Chen Li-Ming, Lawrence, Mr. Shieh Tung-Pi, Billy and Mr. Chi Lo-Jen, Stephen and the independent non-executive Directors are Mr. Chu Pao-Kuei, Mr. Ng Hak Kim, JP and Mr. Chen Johnny.