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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1836)

NEW PROCESSING AGREEMENT FOR PRODUCTION OF FOOTWEAR PRODUCTS IN THE PRC, MASTER SUPPLY AGREEMENT FOR SUPPLY OF FOOTWEAR PRODUCTS AND RENEWAL OF FRAMEWORK PURCHASE AGREEMENTS

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Company's announcement dated 24 November 2008, Stella International (for itself and on behalf of other members of the Group) had entered into the Existing Processing Agreement with Huizhou Stella of even date, pursuant to which Huizhou Stella agreed to process and manufacture the Group's footwear products from time to time ordered by the Group at the factory premises in Huizhou and supply footwear products to the Group. The Existing Processing Agreement will expire on 31 December 2009. On 24 November 2009, the Group entered into the New Processing Agreement with Huizhou Stella to regulate and govern the processing arrangement for a term of three years from 1 January 2010 to 31 December 2012.

On 24 November 2009, the Group entered into the Master Supply Agreement with Ace Opportunity to regulate and govern the supply and procurement of the Merchandise for a term of three years from 1 January 2010 to 31 December 2012.

* *For identification purpose only*

As disclosed in the Prospectus, the Company had entered into (i) the Sabina Framework Purchase Agreement with Sabina for the purchase of lasts from Sabina for an initial term expiring on 31 December 2009; (ii) the Sincerely Framework Purchase Agreement for the purchase of molds from Sincerely for an initial term expiring on 31 December 2009; (iii) the Simona Framework Purchase Agreement with Simona for the purchase of tannery from Simona for an initial term expiring on 31 December 2009; (iv) the Sanford Framework Purchase Agreement with Sanford for the purchase of sole materials from Sanford for an initial term expiring on 31 December 2009; and (v) the Xintan Framework Purchase Agreement with Xintan for the purchase of sole materials from Xintan for an initial term expiring on 31 December 2009. Each of these agreements will expire on 31 December 2009 and, with a right for either party to terminate the relevant agreement at any time by serving a six-month prior written notice on the other. Subject to early termination of the agreements by parties pursuant to the respective terms of these agreements and compliance of the Listing Rules, these agreements will be automatically renewed for a term of three years upon the expiry of the initial term.

As each of Huizhou Stella, Sabina, Sincerely, Simona, Sanford and Xintan is ultimately wholly-owned by Mr. Chen Lawrence, an executive Director and chief executive officer of the Company, each of them is a connected person of the Company under the Listing Rules. As Ace Opportunity is an associate (as defined under the Listing Rules) of Mr. Chen Lawrence who is an executive Director and chief executive officer of the Company entitled to control the exercise of over 30% of the voting power at general meetings of Ace Opportunity, Ace Opportunity is also a connected person of the Company under the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the New Processing Agreement is expected to be less than 2.5% for each of the three years ending 31 December 2012, the purchases of footwear products by the Group from Huizhou Stella under the New Processing Agreement constitute continuing connected transactions for the Company and are only subject to the announcement and reporting requirements under Rules 14A.45 and 14A.47 of the Listing Rules and are exempt from the independent Shareholders' approval requirements pursuant to Rule 14A.48 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 is expected to be less than 2.5% for each of the three years ending 31 December 2012, the supply of the Merchandise by the Group to the Ace Opportunity Group pursuant to the Master Supply Agreement constitute continuing connected transactions for the Company and are only subject to the announcement and reporting requirements under Rules 14A.45 and 14A.47 of the Listing Rules and are exempt from the independent Shareholders' approval requirements pursuant to Rule 14A.48 of the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Sabina Framework Purchase Agreement and the Sincerely Framework Purchase Agreement, on an aggregated basis, is expected to be less than 2.5% for each of the three years ending 31 December 2012, the purchases of lasts and molds by the Group from Sabina and Sincerely under the Sabina Framework Purchase Agreement and the Sincerely Framework Purchase Agreement respectively constitute continuing connected transactions for the Company and are only subject to the announcement and reporting requirements under Rules 14A.45 and 14A.47 of the Listing Rules and are exempt from the independent Shareholders' approval requirements pursuant to Rule 14A.48 of the Listing Rules.

As each of the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement, on an aggregated basis, is expected to be more than 2.5% and the maximum aggregate annual consideration payable by the Group thereunder is expected to be more than HK$10 million, the purchases of tannery and sole materials by the Group from Simona, Sanford and Xintan under the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement respectively constitute continuing connected transactions for the Company and are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the foregoing, the Company will seek to obtain the approval of the independent Shareholders on the continuing connected transactions under the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement and the related annual caps at the EGM.

A circular including, among other information, (i) a letter from the Board containing further information on the continuing connected transactions under the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement and the related annual caps; (ii) a letter of advice from an independent financial adviser to the Independent Board Committee and the independent Shareholders in connection with the aforesaid; (iii) recommendations from the Independent Board Committee to the independent Shareholders; and (iv) a notice convening the EGM, will be despatched to the Shareholders as soon as practicable.

BACKGROUND OF THE TRANSACTIONS

Reference is made to the Company's announcement dated 24 November 2008 in relation to the continuing connected transactions of the Company for the production of footwear products as contemplated under the Existing Processing Agreement with Huizhou Stella.

Reference is also made to the section headed "Connected Transactions" in the Prospectus in relation to the continuing connected transactions of the Company as contemplated under the Sabina Framework Purchase Agreement, the Sincerely Framework Purchase Agreement, the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement.

The Group is 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.

CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

(A) Processing of footwear products by Huizhou Stella

On 24 November 2008, the Group entered into the Existing Processing Agreement with Huizhou Stella, pursuant to which Huizhou Stella agreed to process and manufacture the footwear products from time to time ordered by the Group at the factory premises in Huizhou, the PRC and supply the footwear products to the Group for a term from 24 November 2008 to 31 December 2009. As the Existing Processing Agreement will expire on 31 December 2009, the parties agree to enter into the New Processing Agreement to regulate and govern the processing arrangement for a term of three years from 1 January 2010 to 31 December 2012.

The New Processing Agreement

Date: 24 November 2009

Parties: Stella International (for itself and on behalf of other members of the Group), as purchaser

Huizhou Stella, as supplier

Pursuant to the New Processing Agreement, Huizhou Stella has agreed to process and manufacture the footwear products from time to time ordered by the Group at the factory premises in Huizhou, the PRC and supply the Group's footwear products to the Group at their costs, on an exclusive basis and on other normal commercial terms.

Under the New Processing Agreement, the Group shall provide all production materials (including raw materials, supplements and packaging materials) while Huizhou Stella shall provide all production machinery and equipment, electricity and manpower for processing and production of the footwear products. The processing fee to be payable by the Group to Huizhou Stella will be determined on a cost reimbursement basis by reference to the actual costs and expenses incurred by Huizhou Stella in the processing and production of the Group's footwear products.

During the term of the New Processing Agreement, Huizhou Stella has undertaken not to, directly or indirectly, produce, manufacture, process and/or supply the footwear products to parties other than the Group without the prior written consent of the Group. The New Processing Agreement is for a period from 1 January 2010 to 31 December 2012 unless terminated earlier in accordance with the terms and conditions of the New Processing Agreement. Under the New Processing Agreement, either party shall have the right to terminate the agreement at any time by giving at least one-month written notice to the other.

The terms of the New Processing Agreement were arrived at after arm's length negotiation between the Group and Huizhou Stella.

Annual caps

Under the Existing Processing Agreement, the Group made purchases of footwear products from Huizhou Stella in the total amount of approximately US$1,470,000 (equivalent to approximately HK$11.47 million) for the period from 24 November 2008 to 31 December 2008, which did not exceed the annual cap of US$1,500,000 (equivalent to approximately HK$11.70 million) for the corresponding period. For the nine months ended 30 September 2009, the Group made purchases of footwear products from Huizhou Stella in the total amount of US$1,882,000 (equivalent to approximately HK$14.68 million). It is expected that the annual cap of US$10,000,000 (equivalent to approximately HK$78.00 million) for the year ending 31 December 2009 will not be exceeded.

By reference to the anticipated demand of the footwear products from the Group's customers, the estimated production capacity and the projected rate of sales growth of the Group, the maximum aggregate annual consideration payable by the Group for the purchase of the footwear products under the New Processing Agreement is expected not to exceed US$3,000,000 (equivalent to approximately HK$23.40 million), US$3,500,000 (equivalent to approximately HK$27.30 million) and US$4,000,000 (equivalent to approximately HK$31.20 million) for each of the three years ending 31 December 2012 respectively.

Reasons for and benefits of the transactions under the New Processing Agreement

By entering into the New Processing Agreement, the Group will be able to secure the continued utilisation of the production capacity of the factory premises in Huizhou owned by Huizhou Stella, to enhance its operational efficiency and flexibility through placing orders with Huizhou Stella as and when required in accordance with its then production plan and sale schedule. Leveraging from the experience of Huizhou Stella in manufacture of footwear products, its affiliation with the Group and the existing manufacturing facilities and machineries of the factory premises in Huizhou, the procurement of footwear products by the Group can be better coordinated, with more efficient monitoring on the quality of footwear products and at purchase cost which is expected to be lower than that from independent subcontractors.

The Directors (including the independent non-executive Directors) are of the view that the New Processing Agreement is on normal commercial terms which are fair and reasonable and the continuing connected transactions under the New Processing Agreement are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) are also of the view that the proposed annual caps for the continuing connected transactions under the New Processing Agreement for each of the three years ending 31 December 2012 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

Stella International is an international company with limited liability incorporated in the Republic of Vanuatu and is principally engaged in investment holding. Stella International is a wholly-owned subsidiary of the Company.

Huizhou Stella is principally engaged in the manufacturing and sale of footwear products in the PRC.

Huizhou Stella is ultimately wholly-owned by Mr. Chen Lawrence. Since Huizhou Stella is an associate (as defined under the Listing Rules) of Mr. Chen Lawrence, who is an executive Director and chief executive officer of the Company, Huizhou Stella is therefore a connected person of the Company under the Listing Rules. The purchase of footwear products by the Group from Huizhou Stella pursuant to the New Processing Agreement constitutes 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 New Processing Agreement is expected to be less than 2.5% for each of the three years ending 31 December 2012, the purchases of footwear products by the Group from Huizhou Stella under the New Processing Agreement constitute continuing connected transactions for the Company and are only subject to the announcement and reporting requirements under Rules 14A.45 and 14A.47 of the Listing Rules and are exempt from the independent Shareholders' approval requirements pursuant to Rule 14A.48 of the Listing Rules.

(B) Supply of the Merchandise to the Ace Opportunity Group

On 24 November 2009, the Group entered into the Master Supply Agreement with Ace Opportunity to regulate and govern the supply and procurement of the Merchandise for a term of three years from 1 January 2010 to 31 December 2012.

The Master Supply Agreement

Date:	24 November 2009
Parties:	Stella International (for itself and as trustee for other members of the Group), as supplier Ace Opportunity (for itself and as trustee for other members of the Ace Opportunity 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 Ace Opportunity Group at prices to be determined and agreed upon by the Group and the Ace Opportunity 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 Ace Opportunity Group than those applicable to the supply of the same type and quality of footwear products with comparable quantity by the Group to independent third party purchasers. The purchase price shall be payable by the Ace Opportunity Group on an "open account" basis within 30 days after the date of the relevant invoice issued by the Group to the relevant member of the Ace Opportunity Group for such supply except that (a) where the then aggregate outstanding purchase price payable by the Ace Opportunity Group to the Group under other purchase order(s) shall exceed US$1 million, any such outstanding purchase price representing the difference between the then aggregate outstanding purchase price and US$1 million under the relevant purchase order shall be immediately due and payable; and (b) in respect of the Merchandise for delivery during the period from June to August each year, the Ace Opportunity 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 of three years from 1 January 2010 to 31 December 2012, 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. Under the Master Supply Agreement, the Group shall have the right to terminate the agreement by giving notice to Ace Opportunity at any time if the Ace Opportunity Group fails to fulfill any of its obligations thereunder and such failure cannot be remedied within 30 days after notice requesting for remedy of such failure. 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 Ace Opportunity 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 Ace Opportunity 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 Ace Opportunity Group, become the permanent property of the Ace Opportunity Group.

The terms of the Master Supply Agreement were arrived at after arm's length negotiation between the Group and the Ace Opportunity Group.

Annual caps

By reference to the projected sales of the Merchandise based on customers' feedback collected by the Ace Opportunity Group during initial contacts with customers and expansion of the business scale and product offerings of the Ace Opportunity Group in the global market in the coming years, the maximum aggregate annual consideration receivable by the Group from the Ace Opportunity 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) is expected not to exceed US$4,500,000 (equivalent to approximately HK$35.10 million), US$10,200,000 (equivalent to approximately HK$79.56 million) and US$20,535,000 (equivalent to approximately HK$160.17 million) for each of the three years ending 31 December 2012.

Reasons for and benefits of the transactions under the Master Supply Agreement

By entering into the Master Supply Agreement, the Group will be able to formalise the supply and procurement of the Merchandise between the Group and the Ace Opportunity Group on the one hand, and build up long-term collaboration with the Ace Opportunity 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 view that the Master Supply Agreement is on normal commercial terms which are fair and reasonable and the continuing connected transactions under the Master Supply Agreement are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) are also of the view that the proposed annual caps for the continuing connected transactions under the Master Supply Agreement for each of the three years ending 31 December 2012 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

Ace Opportunity is a limited liability company formed in the BVI and is an investment holding company, with its current subsidiary principally engaged in the sales and distribution of the footwear products.

As Ace Opportunity is an associate (as defined under the Listing Rules) of Mr. Chen Lawrence, who is an executive Director and chief executive officer of the Company entitled to control the exercise of over 30% voting power in general meetings of Ace Opportunity, Ace Opportunity is therefore a connected person of the Company under the Listing Rules. The supply of the Merchandise by the Group to the Ace Opportunity Group pursuant to the Master Supply Agreement constitutes 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 is expected to be less than 2.5% for each of the three years ending 31 December 2012, the supply of the Merchandise by the Group to the Ace Opportunity Group pursuant to the Master Supply Agreement constitute continuing connected transactions for the Company and are only subject to the announcement and reporting requirements under Rules 14A.45 and 14A.47 of the Listing Rules and are exempt from the independent Shareholders' approval requirements pursuant to Rule 14A.48 of the Listing Rules.

(C) Purchase of lasts from Sabina and molds from Sincerely

On 21 May 2007, the Group entered into (i) the Sabina Framework Purchase Agreement with Sabina for the purchase of lasts from Sabina; and (ii) the Sincerely Framework Purchase Agreement with Sincerely for the purchase of molds from Sincerely. Each of the Sabina Framework Purchase Agreement and the Sincerely Framework Purchase Agreement has an initial term commencing from 21 May 2007 and expiring on 31 December 2009 and, with a right for either party to terminate the relevant agreement at any time by serving a six-month prior written notice on the other. Subject to early termination of the agreements by parties pursuant to the respective terms of these agreements and compliance of the Listing Rules, these agreements will be automatically renewed for a term of three years upon expiry of the initial term. As it is expected that Sabina and Sincerely will continue to supply lasts and molds to the Group after expiry of the initial term of the Sabina Framework Purchase Agreement and the Sincerely Framework Purchase Agreement respectively, the relevant parties agree to the automatic renewal of the Sabina Framework Purchase Agreement and the Sincerely Framework Purchase Agreement for a three-year term commencing from 1 January 2010 and ending on 31 December 2012.

(i) The Sabina Framework Purchase Agreement

Date: 21 May 2007

Term:	To be automatically renewed for a term of three years from 1 January 2010 to 31 December 2012 upon the expiry of the initial term on 31 December 2009
Parties:	Sabina, as seller The Company, as purchaser

Pursuant to the Sabina Framework Purchase Agreement, the Company has agreed to purchase lasts, which are made from plastic and are the tools used for manufacturing the Group's footwear products, from Sabina. Sales and purchases of lasts under the Sabina Framework Purchase Agreement shall be made pursuant to written purchase orders agreed between the parties, setting out, among other things, the materials and specifications of the lasts, quantity, price, payment terms, delivery time, place of delivery and transfer of title. The price shall be determined by reference to the average market price for similar materials in the open market.

The initial term of the Sabina Framework Purchase Agreement shall expire on 31 December 2009. Unless otherwise terminated in accordance with its terms and subject to compliance with the Listing Rules, the agreement will be automatically renewed for a three-year term upon the expiry of the initial term on 31 December 2009. Under the Sabina Framework Purchase Agreement, either party shall have the right to terminate the agreement at any time by giving a six-month prior written notice to the other.

The terms of the Sabina Framework Purchase Agreement were arrived at after arm's length negotiation between the Group and Sabina.

Annual caps

Under the Sabina Framework Purchase Agreement, for each of the two years ended 31 December 2008, the Group purchased lasts from Sabina in the total amount of US$2,157,000 (equivalent to approximately HK$16.82 million) and US$2,678,000 (equivalent to approximately HK$20.89 million), which did not exceed the annual cap of US$2,600,000 (equivalent to approximately HK$20.28 million) and US$2,900,000 (equivalent to approximately HK$22.62 million) for the corresponding period respectively. For the nine months ended 30 September 2009, the Group purchased lasts from Sabina in the total amount of US$2,718,000 (equivalent to approximately HK$21.20 million). It is expected that the annual cap of US$3,300,000 (equivalent to approximately HK$25.74 million) for the year ending 31 December 2009 will not be exceeded.

By reference to the historical transaction amount of lasts purchased by the Group from Sabina for the two years ended 31 December 2008 and nine months ended 30 September 2009, the anticipated demand of the Group's footwear products from the Group's customers, the projected rate of sales growth of the Group and the expected expansion of the Group's production capacity through establishing new plants in the near future and the trend of smaller batch production of footwear products which call for the needs for lasts, the Group expects that the maximum aggregate annual consideration payable by the Group for the purchase of lasts pursuant to the Sabina Framework Purchase Agreement for each of the three years ending 31 December 2012 will not exceed US$4,500,000 (equivalent to approximately HK$35.10 million), US$5,500,000 (equivalent to approximately HK$42.90 million) and US$6,100,000 (equivalent to approximately HK$47.58 million) respectively.

(ii) The Sincerely Framework Purchase Agreement

Date: 21 May 2007

Term: To be automatically renewed for a term of three years from 1 January 2010 to 31 December 2012 upon the expiry of the initial term on 31 December 2009

Parties: Sincerely, as seller

The Company, as purchaser

Pursuant to the Sincerely Framework Purchase Agreement, the Company has agreed to purchase molds, which are the tools used for manufacturing the Group's footwear products, from Sincerely. Sales and purchases of molds under the Sincerely Framework Purchase Agreement shall be made pursuant to written purchase orders agreed between the parties, setting out, among other things, the materials and specifications of the molds, quantity, price, payment terms, delivery time, place of delivery and transfer of title. The price shall be determined by reference to the average market price for similar materials in the open market.

The initial term of the Sincerely Framework Purchase Agreement shall expire on 31 December 2009. Unless otherwise terminated in accordance with its terms and subject to compliance with the Listing Rules, the agreement will be automatically renewed for a three-year term upon the expiry of the initial term on 31 December 2009. Under the Sincerely Framework Purchase Agreement, either party shall have the right to terminate the agreement at any time by giving a six-month prior written notice to the other.

The terms of the Sincerely Framework Purchase Agreement were arrived at after arm's length negotiation between the Group and Sincerely.

Annual caps

Under the Sincerely Framework Purchase Agreement, for each of the two years ended 31 December 2008, the Group purchased molds from Sincerely in the total amount of US$3,383,000 (equivalent to approximately HK$26.39 million) and US$3,164,000 (equivalent to approximately HK$24.68 million), which did not exceed the annual cap of US$3,900,000 (equivalent to approximately HK$30.42 million) and US$4,500,000 (equivalent to approximately HK$35.10 million) for the corresponding period respectively. For the nine months ended 30 September 2009, the Group purchased molds from Sincerely in the total amount of US$2,792,000 (equivalent to approximately HK$21.78 million). It is expected that the annual cap of US$5,300,000 (equivalent to approximately HK$41.34 million) for the year ending 31 December 2009 will not be exceeded.

By reference to the historical transaction amount of molds purchased by the Group from Sincerely for the two years ended 31 December 2008 and nine months ended 30 September 2009, the anticipated demand of the Group's footwear products from the Group's customers, the estimated production capacity and the projected rate of sales growth of the Group and the trend of smaller batch production of footwear products which calls for the needs for molds, the Group expects that the maximum aggregate annual consideration payable by the Group for the purchase of molds by the Group pursuant to the Sincerely Framework Purchase Agreement for each of the three years ending 31 December 2012 will not exceed US$4,500,000 (equivalent to approximately HK$35.10 million), US$5,500,000 (equivalent to approximately HK$42.90 million) and US$6,000,000 (equivalent to approximately HK$46.80 million) respectively.

Reasons for and benefits of the transactions under the Sabina Framework Purchase Agreement and the Sincerely Framework Purchase Agreement

As mentioned in the Prospectus, the Group has been sourcing lasts and molds from Sabina and Sincerely as the tools for manufacturing the Group's footwear products respectively. The Directors consider that the purchase of lasts and molds from Sabina and Sincerely by renewing the Sabina Framework Purchase Agreement and the Sincerely Framework Purchase Agreement is beneficial to the Group as they have a proven track record of quality products and the Group can secure a reliable supply of production materials with consistent quality.

The Directors (including the independent non-executive Directors) are of the view that each of the Sabina Framework Purchase Agreement and the Sincerely Framework Purchase Agreement and the automatic renewal thereof in accordance with their respective existing terms for a three-year term is on normal commercial terms which are fair and reasonable and the continuing connected transactions under each of the Sabina Framework Purchase Agreement and the Sincerely Framework Purchase Agreement are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

The Directors (including the independent non-executive Directors) are also of the view that the proposed annual caps for the continuing connected transactions under each of the Sabina Framework Purchase Agreement and the Sincerely Framework Purchase Agreement for each of the three years ending 31 December 2012 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

Sabina is principally engaged in the manufacture and sale of plastic products.

Sincerely is principally engaged in the manufacture and sale of various types of molds.

Each of Sabina and Sincerely is ultimately wholly-owned by Mr. Chen Lawrence. Since each of Sabina and Sincerely is an associate (as defined under the Listing Rules) of Mr. Chen Lawrence who is an executive Director and the chief executive officer of the Company, Sabina and Sincerely are therefore the connected persons of the Company under the Listing Rules. The purchase of lasts and molds by the Group from Sabina and Sincerely pursuant to the Sabina Framework Purchase Agreement and the Sincerely Framework Purchase Agreement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules respectively.

As each of the applicable percentage ratios (other than the profits ratio) in respect of the transactions contemplated under the Sabina Framework Purchase Agreement and the Sincerely Framework Purchase Agreement, on an aggregated basis, is expected to be less than 2.5% for each of the three years ending 31 December 2012, the purchases of lasts and molds by the Group from Sabina and Sincerely under the Sabina Framework Purchase Agreement and the Sincerely Framework Purchase Agreement respectively constitute continuing connected transactions for the Company and are only subject to the announcement and reporting requirements under Rules 14A.45 and 14A.47 of the Listing Rules and are exempt from the independent Shareholders' approval requirements pursuant to Rule 14A.48 of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(D) Purchase of tannery from Simona and sole materials from Sanford and Xintan

On 21 May 2007, the Group entered into (i) the Simona Framework Purchase Agreement with Simona for the purchase of tannery from Simona; and (ii) the Sanford Framework Purchase Agreement with Sanford for the purchase of sole materials from Sanford; and (iii) the Xintan Framework Purchase Agreement with Xintan for the purchase of sole materials from Xintan. Each of the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement has an initial term commencing from 21 May 2007 and expiring on 31 December 2009 and, with a right for either party to terminate the relevant agreement at any time by serving a six-month prior written notice on the other. Subject to early termination of the agreements by parties pursuant to the respective terms of these agreements and compliance of the Listing Rules, these agreements will be automatically renewed for a term of three years upon expiry of the initial term. As it is expected that Simona, Sanford and Xintan will continue to supply tannery and sole materials to the Group after expiry of the initial term of the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement respectively, the relevant parties agree to the automatic renewal of the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement for a three-year term commencing from 1 January 2010 and ending on 31 December 2012.

(i) The Simona Framework Purchase Agreement

Date: 21 May 2007

Term: To be automatically renewed for a term of three years from 1 January 2010 to 31 December 2012 upon the expiry of the initial term on 31 December 2009

Parties: Simona, as seller

The Company, as purchaser

Pursuant to the Simona Framework Purchase Agreement, the Company has agreed to purchase tannery, which is a type of raw material used for manufacturing the Group's footwear products, from Simona. Sales and purchases of tannery under the Simona Framework Purchase Agreement shall be made pursuant to written purchase orders agreed between the parties, setting out, among other things, the materials and specifications of the tannery, quantity, price, payment terms, delivery time, place of delivery and transfer of title. The price shall be determined by reference to the average market price for similar materials in the open market.

The initial term of the Simona Framework Purchase Agreement shall expire on 31 December 2009. Unless otherwise terminated in accordance with its terms and subject to compliance with the Listing Rules, the agreement will be automatically renewed for a three-year term upon the expiry of the initial term on 31 December 2009. Under the Simona Framework Purchase Agreement, either party shall have the right to terminate the agreement at any time by giving a six-month prior written notice to the other.

The terms of the Simona Framework Purchase Agreement were arrived at after arm's length negotiation between the Group and Simona.

Annual caps

Under the Simona Framework Purchase Agreement, for each of the two years ended 31 December 2008, the Group purchased tannery from Simona in the total amount of approximately US$25,975,000 (equivalent to approximately HK$202.61 million) and US$29,612,000 (equivalent to approximately HK$230.97 million), which did not exceed the annual cap of US$32,800,000 (equivalent to approximately HK$255.84 million) and US$40,700,000 (equivalent to approximately HK$317.46 million) for the corresponding period respectively. For the nine months ended 30 September 2009, the Group purchased tannery from Simona in the total amount of approximately US$22,795,000 (equivalent to approximately HK$177.80 million). It is expected that the annual cap of US$50,600,000 (equivalent to approximately HK$394.68 million) for the year ending 31 December 2009 will not be exceeded.

By reference to the historical transaction amount of tannery purchased by the Group from Simona for the two years ended 31 December 2008 and nine months ended 30 September 2009, the anticipated demand of the Group's footwear products from the Group's customers, the estimated production capacity and the projected rate of sales growth of the Group, and the capability of Simona for the production of leather and tannery products for women fashion footwear so as to meet the Group's demand for shorter "concept-to-store" lead time for women fashion footwear, the Group expects that the maximum aggregate annual consideration payable by the Group for the purchase of tannery by the Group pursuant to the Simona Framework Purchase Agreement for each of the three years ending 31 December 2012 will not exceed US$35,000,000 (equivalent to approximately HK$273.00 million), US$45,000,000 (equivalent to approximately HK$351.00 million) and US$50,000,000 (equivalent to approximately HK$390.00 million) respectively.

(ii) The Sanford Framework Purchase Agreement

Date:	21 May 2007
Term:	To be automatically renewed for a term of three years from 1 January 2010 to 31 December 2012 upon the expiry of the initial term on 31 December 2009
Parties:	Sanford, as seller
	The Company, as purchaser

Pursuant to the Sanford Framework Purchase Agreement, the Company has agreed to purchase sole materials, one of the raw materials used for manufacturing the Group's footwear products, from Sanford. Sales and purchases of sole materials under the Sanford Framework Purchase Agreement shall be made pursuant to written purchase orders agreed between the parties, setting out, among other things, the materials and specifications of the sole materials, quantity, price, payment terms, delivery time, place of delivery and transfer of title. The price shall be determined by reference to the average market price for similar materials in the open market.

The initial term of the Sanford Framework Purchase Agreement shall expire on 31 December 2009. Unless otherwise terminated in accordance with its terms and subject to compliance with the Listing Rules, the agreement will be automatically renewed for a three-year term upon the expiry of the initial term on 31 December 2009. Under the Sanford Framework Purchase Agreement, either party shall have the right to terminate the agreement at any time by giving a six-month prior written notice to the other.

The terms of the Sanford Framework Purchase Agreement were arrived at after arm's length negotiation between the Group and Sanford.

Annual caps

Under the Sanford Framework Purchase Agreement, for each of the two years ended 31 December 2008, the Group purchased sole materials from Sanford in the total amount of approximately US$7,927,000 (equivalent to approximately HK$61.83 million) and approximately US$7,628,000 (equivalent to approximately HK$59.50 million), which did not exceed the annual cap of US$11,900,000 (equivalent to approximately HK$92.82 million) and US$13,900,000 (equivalent to approximately HK$108.42 million) for the corresponding period respectively. For the nine months ended 30 September 2009, the Group purchased sole materials from Sanford in the total amount of approximately US$5,554,000 (equivalent to approximately HK$43.32 million). It is expected that the annual cap of US$16,000,000 (equivalent to approximately HK$124.80 million) for the year ending 31 December 2009 will not be exceeded.

By reference to the historical transaction amount of sole materials purchased by the Group from Sanford for the two years ended 31 December 2008 and nine months ended 30 September 2009, the anticipated demand of the Group's footwear products from the Group's customers, the estimated production capacity and the projected rate of sales growth of the Group, the Group expects that the maximum aggregate annual consideration payable by the Group for the purchase of sole materials by the Group pursuant to the Sanford Framework Purchase Agreement for each of the three years ending 31 December 2012 will not exceed US$8,500,000 (equivalent to approximately HK$66.30 million), US$9,500,000 (equivalent to approximately HK$74.10 million) and US$10,500,000 (equivalent to approximately HK$81.90 million) respectively.

(iii) The Xintan Framework Purchase Agreement

Date:	21 May 2007
Term:	To be automatically renewed for a term of three years from 1 January 2010 to 31 December 2012 upon the expiry of the initial term on 31 December 2009
Parties:	Xintan, as seller
	The Company, as purchaser

Pursuant to the Xintan Framework Purchase Agreement, the Company has agreed to purchase sole materials from Xintan. Sales and purchases of sole materials under the Xintan Framework Purchase Agreement shall be made pursuant to written purchase orders agreed between the parties, setting out, among other things, the materials and specifications of the sole materials, quantity, price, payment terms, delivery time, place of delivery and transfer of title. The price shall be determined by reference to the average market price for similar materials in the open market.

The initial term of the Xintan Framework Purchase Agreement shall expire on 31 December 2009. Unless otherwise terminated in accordance with its terms and subject to compliance with the Listing Rules, the agreement will be automatically renewed for a three-year term upon the expiry of the initial term on 31 December 2009. Under the Xintan Framework Purchase Agreement, either party shall have the right to terminate the agreement at any time by giving a six-month prior written notice to the other.

The terms of the Xintan Framework Purchase Agreement were arrived at after arm's length negotiation between the Group and Xintan.

Annual caps

Under the Xintan Framework Purchase Agreement, for each of the two years ended 31 December 2008, the Group purchased sole materials from Xintan in the total amount of approximately US$7,181,000 (equivalent to approximately HK$56.01 million) and approximately US$17,911,000 (equivalent to approximately HK$139.71 million), which did not exceed the annual cap of US$17,300,000 (equivalent to approximately HK$134.94 million) and US$24,900,000 (equivalent to approximately HK$194.22 million) for the corresponding period respectively. For the nine months ended 30 September 2009, the Group purchased sole materials from Xintan in the total amount of approximately US$17,498,000 (equivalent to approximately HK$136.48 million). It is expected that the annual cap of US$27,400,000 (equivalent to approximately HK$213.72 million) for the year ending 31 December 2009 will not be exceeded.

By reference to the historical transaction amount of sole materials purchased by the Group from Xintan for the two years ended 31 December 2008 and nine months ended 30 September 2009, the anticipated demand of the Group's footwear products from the Group's customers, the estimated production capacity and the projected rate of sales growth of the Group, the Group expects that the maximum aggregate annual consideration payable by the Group for the purchase of sole materials by the Group pursuant to the Xintan Framework Purchase Agreement for each of the three years ending 31 December 2012 will not exceed US$26,000,000 (equivalent to approximately HK$202.80 million), US$29,000,000 (equivalent to approximately HK$226.20 million) and US$32,000,000 (equivalent to approximately HK$249.60 million) respectively.

Reasons for and benefits of the transactions under the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement

As mentioned in the Prospectus, the Group has been sourcing tannery and sole materials from Simona, Sanford and Xintan as the raw materials for manufacturing the Group's footwear products respectively. The Directors consider that the purchase of tannery and sole materials from Simona, Sanford and Xintan by renewing the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement is beneficial to the Group as they have a proven track record of quality products and the Group can secure a reliable supply of production materials with consistent quality.

The Directors (excluding the independent non-executive Directors whose view will be rendered upon receiving the advice of the independent financial adviser) are of the view that each of the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement and the automatic renewal thereof in accordance with their respective existing terms for a three-year term is on normal commercial terms which are fair and reasonable and the continuing connected transactions under each of the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

The Directors (excluding the independent non-executive Directors whose view will be rendered upon receiving the advice of the independent financial adviser) are also of the view that the proposed annual caps for the continuing connected transactions under each of the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement for each of the three years ending 31 December 2012 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

Simona is principally engaged in the business of tanning leather.

Sanford is principally engaged in the manufacture and sale of sole materials.

Xintan is principally engaged in the manufacture and sale of sole materials.

Each of Simona, Sanford and Xintan is ultimately wholly-owned by Mr. Chen Lawrence. Since each of Simona, Sanford and Xintan is an associate (as defined under the Listing Rules) of Mr. Chen Lawrence who is an executive Director and the chief executive officer of the Company, Simona, Sanford and Xintan are therefore the connected persons of the Company under the Listing Rules. The purchases of tannery and sole materials by the Group pursuant to the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement constitute 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 Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement, on an aggregated basis, is expected to be more than 2.5% and the maximum aggregate annual consideration payable by the Group under the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement are expected to be more than HK$10 million for each of the three years ending 31 December 2012, the purchases of tannery and sole materials by the Group from Simona, Sanford and Xintan under the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement respectively constitute continuing connected transactions for the Company and are subject to the reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the foregoing, the Company will seek to obtain the approval of the independent Shareholders on the continuing connected transactions under the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement and the related annual caps at the EGM. Mr. Chen Lawrence and his associates, and any Shareholders who are materially interested in the continuing connected transactions under the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement are required to abstain from voting on the resolutions proposed to be passed at the EGM for approving the continuing connected transactions under the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement and the related annual caps.

The Company will establish the Independent Board Committee to advise the independent Shareholders as to whether the continuing connected transactions under the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement and the related annual caps are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the independent Shareholders on how to vote at the EGM, after taking into account the recommendations of the independent financial adviser.

An independent financial adviser will be appointed to advise the Independent Board Committee and the independent Shareholders as to whether the continuing connected transactions under the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement and the related annual caps are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, and to advise the independent Shareholders on how to vote at the EGM.

GENERAL

A circular including, among other information, (i) a letter from the Board containing further information on the continuing connected transactions under the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement and the related annual caps; (ii) a letter of advice from an independent financial adviser to the Independent Board Committee and the independent Shareholders in connection with the aforesaid; (iii) recommendations from the Independent Board Committee to the independent Shareholders; and (iv) a notice convening the EGM, will be despatched to the Shareholders as soon as practicable.

DEFINITIONS

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

"Ace Opportunity"	Ace Opportunity Limited, a BVI business company incorporated in the BVI which is indirectly owned as to approximately 66.7% by Mr. Chen Lawrence and approximately 33.3% 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 connected persons
"Ace Opportunity Group"	Ace Opportunity and its subsidiary
"annual caps"	the maximum aggregate annual consideration receivable or payable by the Group in respect of the continuing connected transactions contemplated under the relevant agreement
"applicable percentage ratio(s)"	percentage ratios as defined under Rule 14.07 of 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"	the directors of the Company
"EGM"	the extraordinary general meeting of the Company to be convened for, among others, considering, and if thought fit, approval by the independent Shareholders of the continuing connected transactions under the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement and the related annual caps
"Existing Processing Agreement"	the processing agreement dated 24 November 2008 and entered into between Stella International (for itself and on behalf of other members of the Group) and Huizhou Stella in relation to the processing, manufacture and supply by Huizhou Stella of footwear products manufactured and sold by the Group from time to time
"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
"Huizhou Stella"	惠州興昂鞋業有限公司 (Huizhou Stella Footwear Co., Ltd.), a wholly foreign owned enterprise established in the PRC and is ultimately wholly-owned by Mr. Chen Lawrence
"Independent Board Committee"	a board of committee, comprising all the independent non-executive Directors, established to advise the independent Shareholders in respect of the continuing connected transactions under the Simona Framework Purchase Agreement, the Sanford Framework Purchase Agreement and the Xintan Framework Purchase Agreement and the related annual caps
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Master Supply Agreement"	the master supply agreement dated 24 November 2009 and entered into between Stella International (for itself and as trustee for other members of the Group) as supplier and Ace Opportunity (for itself and as trustee for other members of the Ace Opportunity 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 Ace Opportunity Group from time to time
"Mr. Chen Lawrence"	Mr. Chen Li-Ming, Lawrence, an executive Director and chief executive officer of the Company
"New Processing Agreement"	the processing agreement dated 24 November 2009 and entered into between Stella International (for itself and on behalf of other members of the Group) and Huizhou Stella in relation to the processing, manufacture and supply by Huizhou Stella of footwear products manufactured and sold by the Group from time to time
"PRC"	the People's Republic of China
"Prospectus"	the prospectus of the Company dated 22 June 2007
"Sabina"	東莞興和塑膠制品有限公司 (Sabina Footwear Co., Ltd.), a limited liability company established in the PRC and is ultimately wholly-owned by Mr. Chen Lawrence
"Sabina Framework Purchase Agreement"	the framework materials sale and purchase agreement dated 21 May 2007 and entered into between the Company as purchaser and Sabina as seller in relation to the purchase of lasts by the Group from Sabina from time to time
"Sanford"	東莞興泰鞋材有限公司 (Sanford International Co., Ltd.), a limited liability company established in the PRC and is ultimately wholly-owned by Mr. Chen Lawrence

"Sanford Framework Purchase Agreement"	the framework materials sale and purchase agreement dated 21 May 2007 and entered into between the Company as purchaser and Sanford as seller in relation to the purchase of sole materials by the Group from Sanford from time to time
"Shareholders"	the shareholders of the Company
"Simona"	興昂制革(惠州)有限公司 (Simona Tannery Co., Ltd.) a limited liability company established in the PRC and is ultimately wholly-owned by Mr. Chen Lawrence
"Simona Framework Purchase Agreement"	the framework materials sale and purchase agreement dated 21 May 2007 and entered into between the Company as purchaser and Simona as seller in relation to the purchase of tannery by the Group from Simona from time to time
"Sincerely"	東莞興立精密模具有限公司 (Sincerely International Ltd.), a limited liability company established in the PRC and is ultimately wholly-owned by Mr. Chen Lawrence
"Sincerely Framework Purchase Agreement"	the framework materials sale and purchase agreement dated 21 May 2007 and entered into between the Company as purchaser and Sincerely as seller in relation to the purchase of molds by the Group from Sincerely from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Stella International"	Stella International Limited, an international company with limited liability incorporated in the Republic of Vanuatu and a wholly-owned subsidiary of the Company
"Trims"	the components and accessory items of a Merchandise that bear a trademark, logos or design utilised in the Merchandise and/or labeling or packaging thereof
"Xintan"	東莞興騰鞋材有限公司 (Dongguan Xintan Footwear Co., Ltd.), a limited liability company established in the PRC and is ultimately wholly-owned by Mr. Chen Lawrence

"Xintan Framework Purchase Agreement"	the framework materials sale and purchase agreement dated 21 May 2007 and entered into between the Company as purchaser and Xintan as seller in relation to the purchase of sole materials by the Group from Xintan from time to time
"US$"	United States dollars, the lawful currency of the United States of America

For the purpose of this announcement, exchange rate of HK$7.80 = 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, 27 November 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.