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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)

CONNECTED TRANSACTION

**SUPPLEMENTAL AGREEMENT TO
THE INVESTMENT AGREEMENT**

EXERCISE OF STELLA CALL OPTION

**SUPPLEMENTAL AGREEMENT TO THE INVESTMENT
AGREEMENT**

The Board wishes to announce that on 13 July 2017 (after trading hours), Max Group, Stella Fashion and the Covenantors entered into the Supplemental Agreement to amend certain terms of the Investment Agreement.

EXERCISE OF STELLA CALL OPTION

On 13 July 2017, Max Group exercised the Stella Call Option by issuing an exercise notice in relation thereto and requested Stella Fashion to transfer to Max Branding Limited shares representing 60% of the issued share capital of the SPV, for a total consideration of approximately US\$10,576,689 (equivalent to approximately HK\$82,498,175) in accordance with the terms of the Amended Investment Agreement.

* For identification purpose only

Immediately upon completion of the sale and purchase of the Stella Call Option Shares, the entire issued share capital of the SPV will be owned as to 60% by Max Group and 40% by Stella Fashion, and the SPV will cease to be an indirect wholly-owned subsidiary of the Company.

Reference is made to the announcement of the Company dated 18 October 2016 in relation to, among others, the grant of Stella Call Option by Stella Fashion to Max Group for the acquisition of 60% interests in the Group's PRC Retail Business (the "**Announcement**"). Unless the context requires otherwise, capitalised terms used in this announcement, save those defined herein, shall have the same meanings as those defined in the Announcement.

SUPPLEMENTAL AGREEMENT TO THE INVESTMENT AGREEMENT

The Supplemental Agreement

On 13 July 2017 (after trading hours), Max Group, Stella Fashion and the Covenantors (collectively, the "**Parties**") entered into a supplemental agreement to amend certain terms of the Investment Agreement (the "**Supplemental Agreement**").

The following set forth the key amendments to the terms of the Investment Agreement as set out in the Supplemental Agreement:

1. Under the Supplemental Agreement, the Parties have agreed to exclude repayment of all amounts owed by members of the SPV Group to the Group (other than the SPV Group) from the scope of the Restructuring and to extend the period within which Stella Fashion shall procure the Restructuring to be completed to nine months from the date of the Investment Agreement.

The Restructuring was completed in accordance with the terms and conditions of the Amended Investment Agreement on 13 July 2017.

The aggregate audited consolidated net assets of Stella Fashion Inc. and Couture Accessories Distribution Limited, and the unaudited net book value of the business assets of Stella Fashion (China) Limited to be injected into the SPV Group amounted to about RMB170.4 million (equivalent to approximately US\$26.2 million) as at 31 December 2015. The aggregate audited consolidated net assets of Stella Fashion Inc. and Couture Accessories Distribution Limited, and the unaudited net book value of the business assets of Stella Fashion (China) Limited to be injected into the SPV Group amounted to about RMB167.3 million (equivalent to approximately US\$24.1 million) as at 31 December 2016.

Based on the audited consolidated financial statements of the Group for each of the two years ended 31 December 2016, the aggregate audited consolidated net loss before and after taxation of Stella Fashion Inc. and Couture Accessories Distribution Limited and the PRC retail business attributable to Stella Fashion (China) Limited to be injected into the SPV Group for the year ended 31 December 2015 amounted to about RMB62.5 million (equivalent to approximately US\$10.0 million) and RMB66.8 million (equivalent to approximately US\$10.6 million) respectively, while those for the year ended 31 December 2016 amounted to about RMB22.4 million (equivalent to approximately US\$3.4 million) and RMB25.5 million (equivalent to approximately US\$3.8 million) respectively.

2. In accordance with the Investment Agreement (as amended by the Supplemental Agreement) (the “**Amended Investment Agreement**”), completion of the sale and purchase of the Stella Call Option Shares pursuant to the exercise of the Stella Call Option shall take place on the 30th day after the issue of the relevant exercise notice (or such earlier date as may be agreed in writing between Max Group and Stella Fashion).
3. Under the Amended Investment Agreement, the basis for determining the Stella Call Option Consideration has been amended so that it shall be the lower of the following:
 - (i) 60% of the consolidated net asset value of the SPV as shown on its unaudited consolidated financial statements as at 31 May 2017 plus the additional share capital of the SPV injected by Stella Fashion by way of share subscription during the period from 1 June 2017 to the date on which the exercise notice of the Stella Call Option is issued by Max Group; or
 - (ii) US\$50,000,000.
4. The Parties have further agreed that:
 - (i) on or before the date of completion of the sale and purchase of the Stella Call Option Shares, Max Group shall procure the SPV to enter into loan agreement(s) in respect of loan(s) with an aggregate principal of RMB108 million (the “**Bank Loan One**”) with relevant lending bank(s), and Stella Fashion shall procure the SPV to enter into loan agreement(s) in respect of loan(s) with an aggregate principal of RMB72 million (the “**Bank Loan Two**”) with the relevant lending bank(s); both Bank Loan One and Bank Loan Two shall be on terms and conditions accepted by both Max Group and Stella Fashion, available for drawdown within three months after the date of completion of the sale and purchase of the Stella Call Option Shares (the “**Stella Call Option Completion Date**”) and capable of being used by the SPV Group for repaying the amounts owed by any member of the SPV Group to any member of the Group (other than the SPV Group);

- (ii) Max Group shall procure the SPV to issue the drawdown notice to the relevant lending bank(s) and fulfil all other condition precedents as specified in the relevant loan agreement(s) in respect of Bank Loan One and complete drawdown procedures of Bank Loan One within one month after the Stella Call Option Completion Date;
- (iii) Max Group and Stella Fashion shall jointly procure the SPV to issue the drawdown notice to the relevant lending bank(s) and fulfil all other condition precedents as specified in the relevant loan agreement(s) in respect of Bank Loan Two and complete drawdown procedures of Bank Loan Two within one month after the Stella Call Option Completion Date; and
- (iv) Max Group and Stella Fashion shall jointly procure the SPV to repay all amounts owed by any member of the SPV Group to any member of the Group (other than the SPV Group) in full within two months after the Stella Call Option Completion Date.

Save as the amendments above, the terms of the Investment Agreement remain unchanged and continue to be in full force and effect.

Information on the Group and the Max Group

The Group is principally engaged in the manufacture and sale of footwear products.

Max Group is principally engaged in design, development and manufacture of premium quality designer ladies footwear. It also operates online retail stores in the PRC for brand names including Ash. Its wholly-owned subsidiary in the PRC has been appointed by the Group as the management company for the daily management and monitoring of the retail business of Stella Fashion Inc. in the PRC, including the daily operations and management of retail stores and points of sales and distribution channels, and marketing strategies of the Group's own labels and licensed brands, since July 2015.

Reasons for entering into the Supplemental Agreement

The Supplemental Agreement was entered into after arms' length negotiations between the Parties so as to amend and supplement the terms and conditions of the Investment Agreement from a practical perspective with a view to facilitating completion of the Restructuring and the sale and purchase of the Stella Call Option Shares pursuant to the exercise of the Stella Call Option.

For the above reasons, the Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Supplemental Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and are in the interest of the Company and its Shareholders as a whole.

Listing Rules implications

Given that Max Group is indirectly owned as to approximately 64.75% by Mr. Chiang Chih-Chung, who is the brother of Mr. Chiang Jeh-Chung, Jack, an executive Director and chairman of the Board, each of Max Group and Mr. Chiang Chih-Chung is a connected person of the Company, and the transactions contemplated under the Supplemental Agreement constitute connected transactions of the Company.

As the Group does not have discretion in the exercise of the Stella Call Option, the grant of the Stella Call Option by the Group is classified as if it is exercised. As all percentage ratios (other than the profits ratio) in respect of the exercise of the Stella Call Option are less than 5%, the grant of the Stella Call Option by the Group under the Amended Investment Agreement and the transactions contemplated thereby are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given the relationship between Mr. Chiang Chih-Chung and Mr. Chiang Jeh-Chung, Jack, Mr. Chiang Jeh-Chung, Jack was taken to have material interests in the transactions contemplated under the Supplemental Agreement and had abstained from voting on the Board resolution approving the Supplemental Agreement. Save as disclosed above, none of the Directors had a material interest in the Supplemental Agreement.

EXERCISE OF STELLA CALL OPTION

On 13 July 2017, Max Group exercised the Stella Call Option by issuing an exercise notice in relation thereto and requested Stella Fashion to transfer to Max Branding Limited, a wholly owned subsidiary of Max Group, shares representing 60% of the issued share capital of the SPV, for a total consideration of approximately US\$10,576,689 (equivalent to approximately HK\$82,498,175) in accordance with the terms of the Amended Investment Agreement.

Immediately upon completion of the sale and purchase of the Stella Call Option Shares, the entire issued share capital of the SPV will be owned as to 60% by Max Group and 40% by Stella Fashion, and the SPV will cease to be an indirect wholly-owned subsidiary of the Company.

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

Hong Kong, 13 July 2017

As at the date of this announcement, the executive Directors are Mr. Chiang Jeh-Chung, Jack, Mr. Chao Ming-Cheng, Eric, Mr. Chen Li-Ming, Lawrence and Mr. Chi Lo-Jen, and the independent non-executive Directors are Mr. Chen Johnny, Mr. Bolliger Peter, Mr. Chan Fu Keung, William, BBS, Mr. Yue Chao-Tang, Thomas and Mr. Lian Jie.