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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)**

**(1) COMPLETION OF SALE AND PURCHASE OF STELLA  
CALL OPTION SHARES**

**AND**

**(2) CONTINUING CONNECTED TRANSACTIONS**  
**MASTER MANUFACTURING AGREEMENT AND**  
**EXCLUSIVE DISTRIBUTION AGREEMENT**

**COMPLETION OF SALE AND PURCHASE OF STELLA CALL  
OPTION SHARES**

The Board is pleased to announce that completion of the sale and purchase of the Stella Call Option Shares pursuant to the exercise of the Stella Call Option took place on 19 July 2017 and 60% of the issued share capital of the SPV have been transferred from Stella Fashion to Max Branding Limited, a wholly owned subsidiary of Max, for a total consideration of US\$10,576,689 (equivalent to approximately HK\$82,498,175) in accordance with the terms of the Amended Investment Agreement.

Immediately upon Completion, the SPV ceased to be an indirect wholly owned subsidiary of the Company. As at the date of this announcement, the entire issued share capital of the SPV is owned as to 60% by Max Branding Limited and 40% by Stella Fashion.

\* For identification purpose only

## **MASTER MANUFACTURING AGREEMENT**

On 19 July 2017, SIT (MCO) (for itself and as trustee for the benefit of the Group) as supplier and Max (for itself and as trustee for the benefit of Max Group) as purchaser entered into the Master Manufacturing Agreement in relation to the manufacture and supply of footwear products bearing specified trademarks by the Group for the Max Group and the grant of the non-exclusive right to manufacture such footwear products under such specified trademarks in various specified locations by Max to the Group for a term commencing from the date thereof and ending on 31 December 2019. It is expected that the aggregate monetary value of the consideration which will be payable by the Max Group to the Group for the manufacture and/or supply of Max Branded Products pursuant to the Master Manufacturing Agreement will not exceed US\$3 million for the period from the date of the Master Manufacturing Agreement to 31 December 2017, US\$6 million for the year ending 31 December 2018 and US\$9 million for the year ending 31 December 2019.

## **EXCLUSIVE DISTRIBUTION AGREEMENT**

On 19 July 2017, SFC as supplier and CAH as distributor entered into the Exclusive Distribution Agreement in relation to the supply of footwear products, leather goods and accessories bearing specified trademarks by SFC to the CAH Group and the grant of the exclusive right to distribute the Products under the specified trademarks in the PRC by SFC to CAH (for itself and as trustee for the benefit of the CAH Group) for a term commencing from the date thereof and ending on 31 December 2019. It is expected that the aggregate monetary value of the consideration which will be payable by the CAH Group to SFC in connection with the supply of the Stella Branded Products pursuant to the Exclusive Distribution Agreement will not exceed RMB100 million for the period from the date of the Exclusive Distribution Agreement to 31 December 2017, RMB250 million for the year ending 31 December 2018 and RMB320 million for the year ending 31 December 2019.

## **LISTING RULES IMPLICATION**

As at the date of this announcement, CAH is owned as to 60% by Max, which is indirectly owned as to 64.75% by Mr. Chiang Chih-Chung, who is the brother of Mr. Chiang Jeh-Chung, Jack, the chairman of the Board and an executive Director. As such, both Max and CAH are associates of Mr. Chiang Jeh-Chung, Jack and connected persons of the Company under the Listing Rules, and the transactions contemplated under both the Master Manufacturing Agreement and the Exclusive Distribution Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the aggregate of the respective annual caps under the Master Manufacturing Agreement and the Exclusive Distribution Agreement are expected to represent less than 5% of the applicable percentage ratios, the transactions contemplated under the Master Manufacturing Agreement and the Exclusive Distribution Agreement and the respective annual caps thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **COMPLETION OF SALE AND PURCHASE OF STELLA CALL OPTION SHARES**

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 for the acquisition of 60% interests in the Group's PRC Retail Business and the announcement of the Company dated 13 July 2017 in relation to, among others, the exercise of the Stella Call Option by Max (collectively, the "**Announcements**"). 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 Announcements.

The Board is pleased to announce that completion (the "**Completion**") of the sale and purchase of the Stella Call Option Shares pursuant to the exercise of the Stella Call Option took place on 19 July 2017 and 60% of the issued share capital of the SPV have been transferred from Stella Fashion to Max Branding Limited, a wholly owned subsidiary of Max, 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, the SPV ceased to be an indirect wholly owned subsidiary of the Company. As at the date of this announcement, the entire issued share capital of the SPV is owned as to 60% by Max Branding Limited and 40% by Stella Fashion.

## **MASTER MANUFACTURING AGREEMENT**

Simultaneously upon completion of the Stella Call Option, on 19 July 2017, SIT (MCO) (for itself and as trustee for the benefit of the Group) and Max (for itself and as trustee for the benefit of the Max Group) entered into the Master Manufacturing Agreement to regulate the services to be from time to time provided by the Group to the Max Group for the manufacture of the Max Branded Products. Further details of the Master Manufacturing Agreement are set out below:

### **Date**

19 July 2017

### **Parties**

- (1) SIT (MCO) (for itself and as trustee for the benefit of the Group), as supplier
- (2) Max (for itself and as trustee for the benefit of Max Group), as purchaser

### **Principal terms**

Pursuant to the Master Manufacturing Agreement, SIT (MCO) shall, and shall from time to time designate and procure other member(s) of the Group to, manufacture and/or supply, label and package the Max Branded Products for members of the Max Group. Members of the Max Group may from time to time serve written purchase order(s) to SIT (MCO), specifying, among others, the patterns, specifications, quantity, price, delivery date and delivery port. SIT (MCO) shall confirm its acceptance or rejection of the order served within two business days by written confirmation served to the relevant member(s) of the Max Group. Once accepted, the Group shall manufacture and/or supply the Max Branded Products in strict accordance with the agreed specifications and other terms and conditions of the Master Manufacturing Agreement and the relevant purchase order(s).

The price for the Max Branded Products to be supplied shall be calculated on the basis of the cost of manufacture incurred or to be incurred by the Group for such products plus a fixed percentage margin as specified in the Master Manufacturing Agreement.

Such pricing formula, including the percentage margin, has been determined and agreed by the parties after arm's length negotiations. In determining the pricing formula and the percentage margin, the Group had taken into account the pricing formula and the percentage margin charged by the Group to its other Independent Third Party customers (the "**Independent Customers**") engaging the Group for similar footwear manufacturing services so as to ensure that the pricing formula (including the percentage margin) so offered by the Group is fair and reasonable and no less favourable to the Group than that offered to Independent Customers.

Before acceptance of any purchase order under the Master Manufacturing Agreement in the future, the Group will also consider a number of factors, including but not limited to the then available production capacity of the Group, the market demand for the Group's manufacturing services and the price then offered by Independent Customers for such services.

Under the Master Manufacturing Agreement, there is no minimum amount nor exclusivity commitment for the Group to manufacture or supply footwear products to the Max Group only, and the Group is not restricted from manufacturing footwear products for its own brands or for Independent Customers.

The Directors consider that the above pricing method, together with the above procedures to be taken by the Group, can ensure that the transactions contemplated under the Master Manufacturing Agreement will be conducted in the normal commercial terms and in the interests of the Company and its Shareholders as a whole.

The Master Manufacturing Agreement shall have a term commencing from the date thereof and ending on 31 December 2019, unless otherwise terminated by SIT (MCO) and/or Max before expiry of its term in accordance with the terms and conditions as set out therein.

### **Annual caps**

The Directors expect that the aggregate monetary value of the consideration which will be payable by the Max Group to the Group for the manufacture and/or supply of Max Branded Products pursuant to the Master Manufacturing Agreement will not exceed US\$3 million for the period from the date of the Master Manufacturing Agreement to 31 December 2017, US\$6 million for the year ending 31 December 2018 and US\$9 million for the year ending 31 December 2019.

The said annual caps were determined on the basis of the demand of the Max Branded Products as estimated by the Max Group and the average costs per pair of the Max Branded Products as estimated by the Group.

## **Reasons for the continuing connected transactions**

The Group as a whole is a leading developer and manufacturer of quality footwear products. The Max Group is principally engaged in the design, development and manufacture of premium quality designer ladies footwear. It also owns various footwear brands, such as Ash. The Master Manufacturing Agreement enables the Group and the Max Group to formalise the supply and procurement of footwear products and may help building up long-term collaboration between the Group and the Max Group. The entering into of the Master Manufacturing Agreement is thus considered to be conducive to revenue growth of the Group.

The terms and conditions of the Master Manufacturing Agreement were negotiated between the parties thereto on an arm's length basis. The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Master Manufacturing Agreement are fair and reasonable and in the interests of the Shareholders as a whole, and the continuing connected transactions contemplated under the Master Manufacturing Agreement are 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.

Except for Mr. Chiang Jeh-Chung, Jack, the chairman of the Board and an executive Director who is the brother of Mr. Chiang Chih-Chung who indirectly owns 64.75% of the equity interests in Max, none of the Directors has or is deemed to have a material interest in the Master Manufacturing Agreement and the transactions contemplated thereunder, including the annual caps. Mr. Chiang Jeh-Chung, Jack has abstained from voting on the relevant resolutions at the board meeting.

## **EXCLUSIVE DISTRIBUTION AGREEMENT**

Simultaneously upon completion of the Stella Call Option, on 19 July 2017, SFC and CAH entered into the Exclusive Distribution Agreement for the appointment of the CAH Group as the exclusive distributor of the Stella Branded Products in the PRC. Further details of the Exclusive Distribution Agreement are set out below:

### **Date**

19 July 2017

### **Parties**

- (1) SFC, as supplier
- (2) CAH, as distributor

## **Principal terms**

Pursuant to the Exclusive Distribution Agreement, SFC shall grant the CAH Group the exclusive right to distribute the Stella Branded Products in the PRC. The CAH Group shall open and operate points of sales, including mono brand stores, shops in shop, outlets, concessionary counters and corners bearing various brands owned by the Group, in the PRC to market the Stella Branded Products in accordance with the principles governing the distribution of luxury and high quality goods, with the prestige of the relevant trademarks and having regard to the market positioning of the different brands of the Group. The opening of any point of sales by the CAH Group is subject to prior evaluation and approval by SFC. In addition, the CAH Group may distribute and market the Stella Branded Products in the PRC to franchisees and/or sub-distributors and market and sell the Products through the internet provided that the destination for delivery of the Stella Branded Products sold shall be within the PRC. The CAH Group shall not practice any kind of active advertising of the Products outside the PRC.

To meet the demand of the Stella Branded Products in the PRC, members of the CAH Group may from time to time serve written purchase order(s) for the purchase of the Stella Branded Products to SFC, which shall lapse unless accepted and confirmed by SFC within six calendar days. The Stella Branded Products supplied, labelled, packaged and delivered by SFC shall be in accordance with the patterns, specifications, and quality standard that have been agreed in writing by the CAH Group and SFC upon the terms and conditions of the Exclusive Distribution Agreement and the relevant purchase order(s).

The price for any particular Stella Branded Product to be supplied by SFC shall be calculated on the basis of the ex-factory price charged by the Group for the manufacture of such product and multiplied by a fixed multiplier as specified in the Exclusive Distribution Agreement applicable to each brand of the Stella Branded Product.

Such pricing formula, including the fixed multiplier applicable to each brand of the Stella Branded Products, has been determined and agreed by the parties after arm's length negotiations. In determining the pricing formula and the applicable multipliers, the Group had taken into account the pricing formula and the applicable multipliers charged by the Group to its other Independent Third Party distributors (the "**Independent Distributors**") of the Stella Branded Products so as to ensure that the pricing formula (including the applicable multipliers) so offered by the Group is fair and reasonable and no less favourable to the Group than that offered to Independent Distributors.

Under the Exclusive Distribution Agreement, there is no minimum amount of purchase by the CAH Group of, nor is there a commitment by the Group to supply any minimum volume or amount of, Stella Branded Products to the CAH Group. The Group is not restricted from supplying the Stella Branded Products to Independent Distributors for sales thereof outside the PRC. Before acceptance of any purchase order under the Exclusive Distribution Agreement in the future, the Group will also consider a number of factors, including but not limited to the then available production capacity of the Group, the market demand for the Stella Branded Products and the price then offered by Independent Distributors for the Stella Branded Products. The Directors consider that the above pricing method, together with the above procedures to be taken by the Group, can ensure that the transactions contemplated under the Exclusive Distribution Agreement will be conducted in the normal commercial terms and in the interests of the Company and its Shareholders as a whole.

The Exclusive Distribution Agreement shall have a term commencing from the date thereof and ending on 31 December 2019, unless otherwise terminated by SFC and/or CAH before expiry of its term in accordance with the terms and conditions as set out therein.

### **Annual caps**

The Directors expect that the aggregate monetary value of the consideration which will be payable by the CAH Group to SFC in connection with the supply of the Stella Branded Products pursuant to the Exclusive Distribution Agreement will not exceed RMB100 million for the period from the date of the Exclusive Distribution Agreement to 31 December 2017, RMB250 million for the year ending 31 December 2018 and RMB320 million for the year ending 31 December 2019.

The said annual caps were determined on the basis of (i) the historical sales revenue of the Stella Branded Products recorded by the retail business of the Group in the PRC as adjusted and calculated based on estimated wholesale prices amounting to approximately RMB314.5 million, RMB241.1 million and RMB232.9 million during each of the three years ended 31 December 2016 and approximately RMB105.7 million for the five months ended 31 May 2017; (ii) estimated growth in the sales volume of the Stella Branded Products in the coming years based on the expected market demand, particularly taking into account the launch of “S by Stella” as a contemporary and fast fashion brand of the Group which is expected to gain rapid market acceptance and recognition in the PRC; and (iii) the historical average ex-factory price per pair of the Stella Branded Products.

## **Reasons for the continuing connected transactions**

The Max Group is principally engaged in design, development and manufacture of premium quality designer ladies footwear and operation of online retail stores in the PRC for brands including Ash. Prior to Completion, since July 2015, a wholly-owned subsidiary of Max in the PRC had been appointed by the Group as the management company for the daily management and monitoring of the retail business of SFI, a then wholly owned subsidiary of the Group in the PRC, including the daily operations and management of retail stores, points of sales and distribution channels, and marketing strategies of the Group's own labels and licensed brands.

Upon Completion, CAH, as the special purpose vehicle incorporated pursuant to the Amended Investment Agreement, becomes owned as to 60% by Max and indirectly holds the entire equity interests in SFI, which owns the retail business transferred from SFC. As the Group's retail business in the PRC had been operated through SFI and SFC prior to Completion and the Group no longer has its own retail business in the PRC following Completion, the Group needs to find alternative ways for distribution of its Products in the retail market in the PRC, such as through distributors, from the Completion date onwards. On the other hand, CAH, SFI and other members of the CAH Group also wish to secure stable supply of the Stella Branded Products for the purpose of the CAH Group's retail business. Based on past experience working with Max, the Directors consider Max Group as a reliable retail partner and both the Group and the CAH Group are keen to continue the collaboration with each other after Completion. The Directors consider that it would be in the best interests of the Group for the Stella Branded Products to be distributed by SFI and other members of the CAH Group in the PRC, such that there will not be any significant change to the distribution channel of the Stella Branded Products in the PRC as a result of the Completion. As CAH and its subsidiaries are connected persons of the Company upon Completion (as further explained in the paragraphs headed "Implications under the Listing Rules" below), business dealings between the CAH Group and the Group constitute continuing connected transactions under the Listing Rules and have to be governed by written agreements that are in line with the applicable requirements in the Listing Rules.

The Directors consider that the entering into of the Exclusive Distribution Agreement will ensure uninterrupted supply of the Group's Stella Branded Products in the PRC retail market following Completion, while at the same time allowing the Group to take advantage of the commitment and local market experience and expertise of the Max Group as a leading footwear retail operator in the PRC, such that the Group can focus on growing its core competencies such as craftsmanship, innovation and branding in the PRC.

The terms and conditions of the Exclusive Distribution Agreement were negotiated between the parties thereto on an arm's length basis. The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Exclusive Distribution Agreement are fair and reasonable and in the interests of the Shareholders as a whole, and the continuing connected transactions contemplated under the Exclusive Distribution Agreement are 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.

Except for Mr. Chiang Jeh-Chung, Jack, the chairman of the Board and an executive Director who is the brother of Mr. Chiang Chih-Chung who indirectly owns 64.75% of the equity interests in Max which holds 60% of the equity interests in CAH, none of the Directors has or is deemed to have a material interest in the Exclusive Distribution Agreement and the transactions contemplated thereunder, including the annual caps. Mr. Chiang Jeh-Chung, Jack has abstained from voting on the relevant resolutions at the board meeting.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, CAH is owned as to 60% by Max, which is indirectly owned as to 64.75% by Mr. Chiang Chih-Chung, who is the brother of Mr. Chiang Jeh-Chung, Jack, the chairman of the Board and an executive Director. As such, both Max and CAH are associates of Mr. Chiang Jeh-Chung, Jack and connected persons of the Company under the Listing Rules, and the transactions contemplated under both the Master Manufacturing Agreement and the Exclusive Distribution Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the aggregate of the respective annual caps under the Master Manufacturing Agreement and the Exclusive Distribution Agreement are expected to represent less than 5% of the applicable percentage ratios, the transactions contemplated under the Master Manufacturing Agreement and the Exclusive Distribution Agreement and the respective annual caps thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and shareholders' approval requirements under Chapter 14A of the Listing Rules.

## GENERAL

The Company is an investment holding company. The Group is principally engaged in the manufacture and sale of footwear products.

Max is an investment holding company. The Max Group is principally engaged in design, development and manufacture of premium quality designer ladies footwear and operation of online retail stores in the PRC for brands including Ash.

CAH is an investment holding company. The CAH Group is principally engaged in the retail sales of footwear products in the PRC.

## DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CAH”	Couture Accessories Holding Limited, a company incorporated in the British Virgin Islands with limited liability, the entire issued share capital of which is owned as to 60% by Max
“CAH Group”	collectively, CAH and its subsidiaries from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction”	has the meaning ascribed to it under the Listing Rules
“Exclusive Distribution Agreement”	the exclusive distribution agreement entered into between SFC as supplier and CAH as distributor on 19 July 2017 in relation to the supply of the Stella Branded Products by SFC to the CAH Group and the grant of the exclusive right to distribute the Stella Branded Products in the PRC by SFC to CAH (for itself and as trustee for the benefit of the CAH Group) for a term commencing on from the date thereof and ending on 31 December 2019

“Independent Third Party(ies)”	party or parties which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is/are not connected persons of the Company
“Master Manufacturing Agreement”	the master manufacturing agreement entered into between SIT (MCO) (for itself and as trustee for the benefit of the Group) as supplier and Max (for itself and as trustee for the benefit of Max Group) as purchaser on 19 July 2017 in relation to the manufacture and supply of the Max Branded Products by the Group for the Max Group for a term commencing on from the date thereof and ending on 31 December 2019
“Max”	Max Group Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability, the issued capital of which is indirectly owned as to approximately 64.75% by Mr. Chiang Chih-Chung
“Max Branded Products”	the footwear products bearing any of the trademarks, related ancillary and associated marks, trade names, logos, symbols or other distinctive signs, which the Max Group is from time to time licensed to use in connection with such footwear products or the marketing and sales thereof, that the Group is instructed to develop, produce and/or supply to the Max Group from time to time under the Master Manufacturing Agreement
“Max Group”	collectively, Max and its subsidiaries from time to time, but excluding the CAH Group
“SFC”	興記時尚(中國)有限公司 (Stella Fashion (China) Limited*), a wholly foreign owned enterprise established in the PRC with limited liability and an indirectly wholly owned subsidiary of the Company
“SFI”	興記時尚貿易(上海)有限公司 (Stella Fashion Inc.*), a wholly foreign owned enterprise established in the PRC with limited liability and an indirect subsidiary of CAH

“SIT (MCO)”	Stella International Trading (Macao Commercial Offshore) Ltd., a Macau commercial offshore company incorporated in the Macau Special Administrative Region and an indirectly wholly owned subsidiary of the Company
“Stella Branded Products”	the footwear products, leather goods and accessories bearing any of the “Stella Luna”, “JKJY”, “What For” or “S by Stella” trademarks or trademarks under application of the Group, the related, ancillary and associated marks, trade names, logos, symbols or other distinctive signs, bearing or including all (but not part of) the words “Stella Luna”, “JKJY”, “What For” or “S by Stella”, which are owned by the Group and licensed to SFC from time to time for use in connection with such footwear products, leather goods and accessories or the marketing and sales thereof in the PRC, that the Group may supply to the CAH Group under the Exclusive Distribution Agreement

\* *for identification purpose only*

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

Hong Kong, 19 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.*