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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)

CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF EXCLUSIVE DISTRIBUTION AGREEMENT

NEW CAH EXCLUSIVE DISTRIBUTION AGREEMENT

Reference is made to the announcement of the Company dated 19 July 2017 in relation to, amongst others, the continuing connected transactions contemplated under the Prior CAH Exclusive Distribution Agreement. Pursuant to the Prior CAH Exclusive Distribution Agreement, SFC shall supply the Stella Branded Products to the CAH Group and grant CAH (for itself and as trustee for the benefit of the CAH Group) the exclusive right to distribute the Stella Branded Products in the PRC.

Given that the Prior CAH Exclusive Distribution Agreement will expire on 31 December 2019, on 20 December 2019, SFC as supplier and CAH as distributor entered into the New CAH Exclusive Distribution Agreement to renew the Prior CAH Exclusive Distribution Agreement on substantially the same terms for three years until 31 December 2022. It is expected that the aggregate amount of the consideration which may be collected by SFC from the CAH Group in connection with the supply of the Stella Branded Products under the New CAH Exclusive Distribution Agreement will not exceed RMB250 million for the year ending 31 December 2020, RMB280 million for the year ending 31 December 2021 and RMB330 million for the year ending 31 December 2022.

* For identification purpose only

LISTING RULES IMPLICATION

As at the date of this announcement, the issued share capital of CAH is held as to 60% by Max Branding, a wholly-owned subsidiary of Max which is indirectly owned as to approximately 64.75% by Mr. Chiang Chih-Chung. Mr. Chiang Chin-Chung is the brother of Mr. Chiang Jeh-Chung, Jack, a non-executive Director. Therefore, under Chapter 14A of the Listing Rules, CAH is an associate of Mr. Chiang Jeh-Chung, Jack and a connected person of the Company, and the transactions contemplated under the New CAH Exclusive Distribution Agreement constitute continuing connected transactions of the Company.

Reference is made to the announcement of the Company dated 21 January 2019 in relation to, amongst others, the continuing connected transactions contemplated under the Max Branding Exclusive Distribution Agreement. Pursuant to the Max Branding Exclusive Distribution Agreement, SFG shall supply to the Max Branding Group footwear products under any of the “What For” trademarks of the Group and grant to the Max Branding Group the exclusive right to distribute such products in, amongst others, the domestic markets in various countries in Europe, Africa and the Middle East for the term commencing on the date of the Max Branding Exclusive Distribution Agreement and ending on 31 December 2021. The aggregate amount of the consideration which may be collected by SFG from the Max Branding Group in connection with the supply of products under the Max Branding Exclusive Distribution Agreement is expected not to exceed EUR7 million for the year ending 31 December 2020 and EUR8 million for the year ending 31 December 2021.

Since all the applicable percentage ratios (as defined under rule 14.07 of the Listing Rules) calculated based on the aggregates of the Annual Caps and the annual caps for the continuing connected transactions contemplated under the Max Branding Exclusive Distribution Agreement on a yearly basis during the three years ending 31 December 2022 are not less than 0.1% but fall below 5% and such aggregates of the annual caps are not less than HK\$3,000,000, the continuing connected transactions contemplated under the New CAH Exclusive Distribution Agreement are subject to the announcement, annual review and reporting requirements but exempt from the circular (including independent financial advice) and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

NEW CAH EXCLUSIVE DISTRIBUTION AGREEMENT

Reference is made to the announcement of the Company dated 19 July 2017 in relation to, amongst others, the continuing connected transactions contemplated under the Prior CAH Exclusive Distribution Agreement. Pursuant to the Prior CAH Exclusive Distribution Agreement, SFC shall supply the Stella Branded Products to the CAH Group and grant CAH (for itself and as trustee for the benefit of the CAH Group) the exclusive right to distribute the Stella Branded Products in the PRC.

Given that the Prior CAH Exclusive Distribution Agreement will expire on 31 December 2019, on 20 December 2019, SFC as supplier and CAH as distributor entered into the New CAH Exclusive Distribution Agreement to renew the Prior CAH Exclusive Distribution Agreement on substantially the same terms for three years until 31 December 2022. Set forth below are further details of the New CAH Exclusive Distribution Agreement:

Date

20 December 2019

Parties

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

Principal terms

Pursuant to the New CAH 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 and with the prestige of the relevant trademarks, 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 for 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 New CAH 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 not exceeding two applicable to each brand of the Stella Branded Product as specified in the New CAH Exclusive Distribution Agreement.

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 adopted by the Group for its dealings with distributors of the Stella Branded Products which are Independent Third Parties (the "**Independent Distributors**"), 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 the Independent Distributors.

Under the New CAH Exclusive Distribution Agreement, there is no requirement regarding the minimum amount of purchase by the CAH Group of, nor is there a commitment by the Group to supply any minimum volume 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 New CAH 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 New CAH 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 New CAH Exclusive Distribution Agreement shall have a term commencing on 1 January 2020 and ending on 31 December 2022, unless otherwise terminated by SFC and/or CAH before expiry of its term in accordance with the terms and conditions as set forth therein.

Annual caps

Historical figures

Reference is made to the announcement of the Company dated 21 January 2019 in relation to, amongst others, the revision of the annual caps for the continuing connected transactions contemplated under the Prior CAH Exclusive Distribution Agreement. The table below sets forth the details of the amounts of the previous continuing connected transactions conducted under the Prior CAH Exclusive Distribution Agreement:

Period	Annual cap RMB	Actual transaction amount RMB
Year ended 31 December 2017 <i>(from the date of the Prior CAH Exclusive Distribution Agreement onwards)</i>	100,000,000 <i>(as disclosed in the Company's announcement dated 19 July 2017)</i>	81,586,000
Year ended 31 December 2018	250,000,000 <i>(as disclosed in the Company's announcement dated 19 July 2017)</i>	161,722,000
Year ending 31 December 2019	200,000,000 <i>(as revised and disclosed in the Company's announcement dated 21 January 2019)</i>	125,428,000 <i>(up to 30 November 2019)</i>

The Directors expect that up to the date of this announcement, the aggregate amount of consideration collected by SFC from the CAH Group in connection with the supply of the Stella Branded Products under the Prior CAH Exclusive Distribution Agreement during the year ending 31 December 2019 has not exceeded the annual cap of RMB200,000,000.

Annual Caps for the three years ending 31 December 2022

The Directors expect that the aggregate amount of the consideration which may be collected by SFC from the CAH Group in connection with the supply of the Stella Branded Products under the New CAH Exclusive Distribution Agreement will not exceed RMB250 million for the year ending 31 December 2020, RMB280 million for the year ending 31 December 2021 and RMB330 million for the year ending 31 December 2022.

The Annual Caps were determined on the basis of (i) the historical transaction amounts under the Prior CAH Exclusive Distribution Agreement and the sales trend shown during the term thereof; (ii) the estimated growth in the sales volume of the Stella Branded Products in the coming years based on the expected market demand; 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. It had been providing daily management and monitoring services for the retail business of the Group in the PRC prior to the disposal of it by the Group in July 2017, including the daily operation and management of retail stores, points of sales and distribution channels, and marketing strategies of the Group's own labels and licensed brands. Following the restructuring of the CAH Group and the disposal of 60% of the issued share capital of CAH which effectively led to the transfer of the Group's retail business in the PRC to the Max Group, SFC entered into the Prior CAH Exclusive Distribution Agreement with CAH and appointed the CAH Group as the exclusive distributor of the Stella Branded Products in the retail market in the PRC. The conclusion of the Prior CAH Exclusive Distribution Agreement has ensured uninterrupted supply of the Stella Branded Products in the PRC retail market and allowed the Group to leverage the commitment and local market experience and expertise of the Max Group as a leading footwear retail operator in the PRC.

The Prior CAH Exclusive Distribution Agreement is due to expire on 31 December 2019. The Group and the Max Group are both minded to build on the amicable business relationship and mutual understating and trust gained through the previous business dealings and extend the business collaboration under a new agreement. Taking into account the growth in transaction amount with the CAH Group during the term of the Prior CAH Exclusive Distribution Agreement and the competence the CAH Group has exuded as a distributor, the Directors consider that it is in the interests of the Group to continue granting to the CAH Group the exclusive distribution rights of the Stella Branded Products in the retail market in the PRC, so as to avoid any disruption to the existing efficient distribution channel and guarantee the continual stable supply of the Stella Branded Products in the market. The above provide the foundation for the conclusion of the New CAH Exclusive Distribution Agreement for carrying on the transactions for a further term of three years.

The terms and conditions of the New CAH 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 of the New CAH Exclusive Distribution Agreement are fair and reasonable and in the interests of the Shareholders as a whole, and the continuing connected transactions contemplated thereunder 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, a non-executive Director whose association with CAH is explained in the section headed "Implications under the Listing Rules" in this announcement, none of the Directors is, or has any associate who is materially interested in the New CAH Exclusive Distribution Agreement and the continuing connected transactions contemplated thereunder. Mr. Chiang Jeh-Chung, Jack has abstained from voting on the resolutions approving the New CAH Exclusive Distribution Agreement and the continuing connected transactions contemplated thereunder at the relevant Board meeting in accordance with the Articles of Association of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the issued share capital of CAH is held as to 60% by Max Branding, a wholly-owned subsidiary of Max which is indirectly owned as to approximately 64.75% by Mr. Chiang Chih-Chung. Mr. Chiang Chih-Chung is the brother of Mr. Chiang Jeh-Chung, Jack, a non-executive Director. Therefore, under Chapter 14A of the Listing Rules, CAH is an associate of Mr. Chiang Jeh-Chung, Jack and a connected person of the Company, and the transactions contemplated under the New CAH Exclusive Distribution Agreement constitute continuing connected transactions of the Company.

Reference is made to the announcement of the Company dated 21 January 2019 in relation to, amongst others, the continuing connected transactions contemplated under the Max Branding Exclusive Distribution Agreement entered into between SFG as supplier and Max Branding (for itself and as trustee for the benefit of the Max Branding Group) as purchaser. Pursuant to the Max Branding Exclusive Distribution Agreement, SFG shall supply to the Max Branding Group footwear products under any of the "What For" trademarks of the Group and grant to the Max Branding Group the exclusive right to distribute such products in, amongst others, the domestic markets in various countries in Europe, Africa and the Middle East for the term commencing on the date of the Max Branding Exclusive Distribution Agreement and ending on 31 December 2021. The aggregate amount of the consideration which may be collected by SFG from the Max Branding Group in connection with the supply of products under the Max Branding Exclusive Distribution Agreement is expected not to exceed EUR7 million for the year ending 31 December 2020 and EUR8 million for the year ending 31 December 2021.

Since all the applicable percentage ratios (as defined under rule 14.07 of the Listing Rules) calculated based on the aggregates of the Annual Caps and the annual caps for the continuing connected transactions contemplated under the Max Branding Exclusive Distribution Agreement on a yearly basis during the three years ending 31 December 2022 are not less than 0.1% but fall below 5% and such aggregates of the annual caps are not less than HK\$3,000,000, the continuing connected transactions contemplated under the New CAH Exclusive Distribution Agreement are subject to the announcement, annual review and reporting requirements but 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 development, manufacture and sale of footwear products.

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:

“Annual Cap(s)”	the maximum annual aggregate amount of consideration which may be collected by SFC from the CAH Group in connection with the supply of the Stella Branded Products under the New CAH Exclusive Distribution Agreement, being RMB250 million for the year ending 31 December 2020, RMB280 million for the year ending 31 December 2021 and RMB330 million for the year ending 31 December 2022
“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 issued share capital of which is held as to 60% by Max Branding
“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 transactions”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) or company(ies) which is(are) not connected person(s) or core connected person(s) (as defined in the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Max”	Max Group Holdings Limited, a company incorporated under the laws of the British Virgin Islands with limited liability which is indirectly owned as to approximately 64.75% by Mr. Chiang Chih-Chung
“Max Branding”	Max Branding Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly owned subsidiary of Max
“Max Branding Group”	collectively, Max Branding and its subsidiaries from time to time
“Max Group”	collectively, Max and its subsidiaries from time to time, including but not limited to the Max Branding Group

“Max Branding Exclusive Distribution Agreement”	the exclusive distribution agreement entered into between SFG as supplier and Max Branding (for itself and as trustee for the benefit of the Max Branding Group) as purchaser on 21 January 2019 in relation to the supply of footwear products under any of the “What For” trademarks of the Group by SFG to the Max Branding Group and the grant of the exclusive right to distribute such products in, amongst others, the domestic markets in various countries in Europe, Africa and the Middle East by SFG to the Max Branding Group for the term commencing on the date thereof and ending on 31 December 2021
“New CAH Exclusive Distribution Agreement”	the exclusive distribution agreement entered into between SFC as supplier and CAH as distributor on 20 December 2019 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 the term commencing on 1 January 2020 and ending on 31 December 2022
“Prior CAH 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 the term commencing on the date thereof and ending on 31 December 2019
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	Stella Fashion (China) Limited* (興記時尚(中國)有限公司), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company

“SFG”	Stella Fashion Group Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stella Branded Products”	the footwear products, leather goods and accessories bearing any of the “Stella Luna”, “JKJY” (applicable for the Prior CAH Exclusive Distribution Agreement only), “What For” or “S by Stella” trademarks and trademarks under application, and the related, ancillary and associated marks, and the trade names, logos, symbols or other distinctive signs bearing or including all (but not part of) the words “Stella Luna”, “JKJY” (applicable for the Prior CAH Exclusive Distribution Agreement only), “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 sale thereof in the PRC, that SFC may supply to the CAH Group under the Prior CAH Exclusive Distribution Agreement and the New CAH Exclusive Distribution Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

* *for identification purpose only*

By order of the Board
Stella International Holdings Limited
Chen Li-Ming, Lawrence
Chairman

Hong Kong, 20 December 2019

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