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STELUX Holdings International Limited

寶光實業(國際)有限公司*

Incorporated in Bermuda with limited liability

website: <http://www.stelux.com>

Stock Code: 84

(1) CONTINUING CONNECTED TRANSACTIONS IN RELATION TO TENANCY/LICENCE AGREEMENTS AND

(2) RENEWAL OF CONTINUING CONNECTED TRANSACTION IN RELATION TO A SERVICE AGREEMENT

1. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO TENANCY/ LICENCE AGREEMENTS

The Company announces that on 24 March 2022, certain of its wholly-owned subsidiaries (each individually as tenant/licensee) entered into the Tenancy/Licence Agreements with Mengiwa and Active Lights (each individually as landlord/licensor) for the tenancy/licensing of certain office premises, storerooms, carparking spaces and warehouse space for a term of one year commencing from 1 April 2022 and expiring on 31 March 2023.

Mengiwa is a 30%-controlled company (as defined under Rule 14A.06 of the Listing Rules) held indirectly by Mr. Chumphol Kanjanapas (also known as Mr. Joseph C.C. Wong). Active Lights is a wholly-owned subsidiary of Yee Hing, which is held as to 55% by the Trust of which Mr. Joseph C.C. Wong is a beneficiary.

As Mr. Joseph C.C. Wong is a Director, the Chief Executive Officer and a substantial shareholder of the Company, Mr. Joseph C.C. Wong and his associates are connected persons of the Company. As each of Mengiwa and Active Lights are associates of Mr. Joseph C.C. Wong, they are hence connected persons of the Company. As such, the transactions contemplated under the Tenancy/Licence Agreements constitute continuing connected transactions for the Company.

The transactions under the Tenancy/Licence Agreements are aggregated for the purpose of classification of connected transactions in accordance with Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratio under the Listing Rules calculated based on the aggregated Annual Cap for the Tenancy/Licence Agreements for the financial year ending 31 March 2023 exceeds 5% but is less than 25%, and the total aggregated consideration for the Tenancy/Licence Agreements is less than HK\$10,000,000, the transactions contemplated under the Tenancy/Licence Agreements (on an aggregated basis) constitute a continuing connected transaction of the Company that is subject to the reporting, annual review and announcement requirements, but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. RENEWAL OF CONTINUING CONNECTED TRANSACTION IN RELATION TO A SERVICE AGREEMENT

The Company announces that on 24 March 2022, the Service Agreement was entered into between a wholly-owned subsidiary of the Company (as agent) and Mengiwa (as principal) to renew the Subsisting Service Agreement in respect of the provision of the Services by the Group for a term of three years commencing from 1 April 2022 and expiring on 31 March 2025.

As disclosed above, Mengiwa is an associate of Mr. Joseph C.C. Wong and hence a connected person of the Company. The entering into of the Service Agreement therefore constitutes a continuing connected transaction for the Company.

As the highest applicable percentage ratio under the Listing Rules calculated based on the highest Annual Cap under the Service Agreement is more than 1% but less than 5%, the transaction contemplated under the Service Agreement constitutes a continuing connected transaction of the Company that is subject to the reporting, annual review and announcement requirements, but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO TENANCY/LICENCE AGREEMENTS

The Company announces that on 24 March 2022, certain of its wholly-owned subsidiaries (each individually as tenant/licensee) entered into the Tenancy/Licence Agreements with Mengiwa and Active Lights (each individually as landlord/licensor) for the tenancy/licensing of certain office premises, storerooms, carparking spaces and warehouse space for a term of one year commencing from 1 April 2022 and expiring on 31 March 2023.

Reference is made to the announcement of the Company dated 21 March 2019 in relation to the continuing connected transactions under the Subsisting Tenancy/Licence Agreements, the terms of which are due to expire on 31 March 2022. The subject premises of the Tenancy/Licence Agreements include the subject office premises, storerooms, carparking spaces and warehouse space under the Subsisting Tenancy/Licence Agreements and one additional storeroom.

A. Principal Terms of the Tenancy/Licence Agreements

Summarised below are the principal terms of the Tenancy/Licence Agreements:–

(1) Stelux House Tenancy Agreement in respect of Office Premises A

Date:	24 March 2022
Parties:	Mengiwa (as landlord) and Stelux Holdings (as tenant)
Premises:	Whole of 27th floor and portion of 28th floor of Stelux House (“ Office Premises A ”)
Term:	One year from 1 April 2022 to 31 March 2023
Rent and payment terms:	HK\$360,475.50 per calendar month (exclusive of rates, Government rent and management charges) payable monthly in advance in cash by the tenant to the landlord on the first day of each and every calendar month
Right of first refusal:	The tenant shall have a right of first refusal to renew the tenancy after the expiry of the term on the terms and conditions contained in any offer received by the landlord from a bona fide prospective tenant which the landlord is willing to accept
Other notable provision(s):	As long as the tenant remains a tenant of Office Premises A or any part thereof, the landlord shall not change the name of the building from “Stelux House” without the prior written consent of the tenant

(2) Stelux House Tenancy Agreement in respect of Office Premises B

Date:	24 March 2022
Parties:	Mengiwa (as landlord) and Stelux Holdings (as tenant)
Premises:	Office unit 2206A on 22nd floor of Stelux House (“ Office Premises B ”)
Term:	One year from 1 April 2022 to 31 March 2023
Rent and payment terms:	HK\$10,510.50 per calendar month (exclusive of rates, Government rent and management charges) payable monthly in advance in cash by the tenant to the landlord on the first day of each and every calendar month

Right of first refusal: The tenant shall have a right of first refusal to renew the tenancy after the expiry of the term on the terms and conditions contained in any offer received by the landlord from a bona fide prospective tenant which the landlord is willing to accept

(3) Stelux House Tenancy Agreement in respect of Office Premises C

Date: 24 March 2022

Parties: Mengiwa (as landlord) and Thong Sia Watch (as tenant)

Premises: Portion of 21st floor of Stelux House (“**Office Premises C**”)

Term: One year from 1 April 2022 to 31 March 2023

Rent and payment terms: HK\$213,361.50 per calendar month (exclusive of rates, Government rent and management charges) payable monthly in advance in cash by the tenant to the landlord on the first day of each and every calendar month

Right of first refusal: The tenant shall have a right of first refusal to renew the tenancy after the expiry of the term on the terms and conditions contained in any offer received by the landlord from a bona fide prospective tenant which the landlord is willing to accept

(4) Stelux House Storeroom Licence

Date: 24 March 2022

Parties: Mengiwa (as licensor) and Stelux Holdings (as licensee)

Premises: Storeroom number 6A on 6th floor, Storeroom number 6A on 16th floor, Storeroom number 1B on the 17th floor, Storeroom number 6A on 18th floor, Storeroom number 6A on 20th floor and Storeroom number 6A on 22nd floor of Stelux House

Term: One year from 1 April 2022 to 31 March 2023

Licence fee and payment terms: HK\$24,840.00 per calendar month in total (inclusive of rates, Government rent and management fee) payable monthly in advance in cash by the licensee to the licensor on the first day of each and every calendar month

Right of first refusal: The licensee shall have a right of first refusal to renew the licence after the expiry of the term on the terms and conditions contained in any offer received by the licensor from a bona fide prospective tenant/licensee which the licensor is willing to accept

(5) *Stelux House Carpark Licence*

Date: 24 March 2022

Parties: Mengiwa (as licensor) and Stelux Holdings (as licensee)

Premises: Nine carparking spaces at Stelux House

Term: One year from 1 April 2022 to 31 March 2023

Licence fee and payment terms: HK\$36,100.00 per calendar month in total (inclusive of rates, Government rent and management fee) payable monthly in advance in cash by the licensee to the licensor on the first day of each and every calendar month

Right of first refusal: The licensee shall have a right of first refusal to renew the licence after the expiry of the term on the terms and conditions contained in any offer received by the licensor from a bona fide prospective tenant/licensee which the licensor is willing to accept

(6) *Warehouse Licence*

Date: 24 March 2022

Parties: Active Lights (as licensor) and City Chain (as licensee)

Premises: One warehouse unit and one carparking space at the Kowloon Bay Building

Term: One year from 1 April 2022 to 31 March 2023

Licence fee and payment terms: HK\$16,200 per calendar month in total (inclusive of management fee but exclusive of rates and Government rent) payable monthly in advance in cash by the licensee to the licensor on the first day of each and every calendar month

Right of first refusal: The licensee shall have a right of first refusal to renew the licence after the expiry of the term on the terms and conditions contained in any offer received by the licensor from a bona fide prospective tenant/licensee which the licensor is willing to accept

B. Basis for determination of consideration

The monthly rents/licence fees under the Tenancy/Licence Agreements were determined on the following basis:–

- The monthly rents/licence fees under the Stelux House Tenancy Agreements and the Stelux House Storeroom Licence were determined on an arm’s length basis taking into account a rental valuation on the office premises/storerooms conducted by an independent property valuer dated 24 March 2022 and as such reflects the prevailing market rental value/licence fee of the subject premises.
- The monthly licence fee for the Stelux House Carpark Licence was determined on an arm’s length basis taking into account prevailing market rates for carparking spaces in the vicinity of Stelux House.
- The monthly licence fee for the Warehouse Licence was determined on an arm’s length basis taking into account the prevailing market rates for warehouse space and carparking space in the vicinity of the Kowloon Bay Building.

The aggregate amount of rents/licence fees payable by the Group to Mengiwa and Active Lights under the Tenancy/Licence Agreements amounts to approximately HK\$8,100,000, which will be satisfied by internal resources of the Group.

C. Reasons and Benefits of the Tenancy/Licence Agreements

The Group has been using the subject office premises and storerooms of Stelux House and warehouse space of the Kowloon Bay Building primarily for office, administrative and storage purposes for years. In order to avoid possible disruption to the Group’s business due to relocation, it is desirable for the Group to continue to rent/licence the subject office premises, storerooms, carparking spaces and warehouse space following the expiry of the Subsisting Tenancy/Licence Agreements and to licence an additional storeroom to meet the Group’s storage needs.

The Directors consider it to be in the interests of the Company and the Shareholders as a whole for the Group to continue to use the subject premises as long as the relevant rents/licence fees and other terms are on normal commercial terms or favourable to the Group so as to avoid relocation and refurbishment costs which otherwise the Group will have to incur.

Taking into account the basis for determination of consideration set out above, the Directors (including the Independent Non-Executive Directors) consider that the terms of the Tenancy/Licence Agreements are fair and reasonable, on normal commercial terms and are in the ordinary and usual course of business of the Group, and the entering into of the Tenancy/Licence Agreements are in the interests of the Company and the Shareholders as a whole.

D. Annual Caps

The Company has set the Annual Caps for the transactions contemplated under the Tenancy/Licence Agreements based on the total rents/licence fees payable by the Group thereunder for the financial year ending 31 March 2023 as set out in the table below.

	Annual Cap for the year ending 31 March 2023 <i>HK\$'000</i>
Stelux House Tenancy Agreements	7,100
Stelux House Storeroom Licence	300
Stelux House Carpark Licence	500
Warehouse Licence	200
	<hr/>
Aggregated Annual Cap for the Tenancy/Licence Agreements:	<u><u>8,100</u></u>

E. Listing Rules Implications

Mengiwa is a 30%-controlled company (as defined under Rule 14A.06 of the Listing Rules) held indirectly by Mr. Chumphol Kanjanapas (also known as Mr. Joseph C.C. Wong). Active Lights is a wholly-owned subsidiary of Yee Hing, which is held as to 55% by the Trust of which Mr. Joseph C.C. Wong is a beneficiary.

As Mr. Joseph C.C. Wong is a Director, the Chief Executive Officer and a substantial shareholder of the Company, Mr. Joseph C.C. Wong and his associates are connected persons of the Company. As each of Mengiwa and Active Lights are associates of Mr. Joseph C.C. Wong, they are hence connected persons of the Company. As such, the transactions contemplated under the Tenancy/Licence Agreements constitute continuing connected transactions for the Company.

The transactions under the Tenancy/Licence Agreements are aggregated for the purpose of classification of connected transactions in accordance Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratio under the Listing Rules calculated based on the aggregated Annual Cap for the Tenancy/Licence Agreements for the financial year ending 31 March 2023 exceeds 5% but is less than 25%, and the total aggregated consideration for the Tenancy/Licence Agreements is less than HK\$10,000,000, the transactions contemplated under the Tenancy/Licence Agreements (on an aggregated basis) constitute a continuing connected transaction of the Company that is subject to the reporting, annual review and announcement requirements, but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since Mr. Joseph C.C. Wong, who is a Director of the Company, has a material interest in the Tenancy/Licence Agreements, he abstained from voting on the subject transactions at the board meeting of the Company held on 24 March 2022.

2. RENEWAL OF CONTINUING CONNECTED TRANSACTION IN RELATION TO A SERVICE AGREEMENT

Reference is made to the announcement of the Company dated 21 March 2019 in relation to the ongoing continuing connected transaction of the Company for the provision of the Services by the Group under the Subsisting Service Agreement, the term of which is due to expire on 31 March 2022.

The Company announces that on 24 March 2022, the Service Agreement was entered into between a wholly-owned subsidiary of the Company (as agent) and Mengiwa (as principal) to renew the Subsisting Service Agreement in respect of the provision of the Services by the Group for a term of three years commencing from 1 April 2022 and expiring on 31 March 2025.

A. Principal terms of the Service Agreement

Summarised below are the principal terms of the Service Agreement:–

Date:	24 March 2022
Parties:	Mengiwa (as principal) and Stelux Properties Agency (as agent)
Services:	Provision of overall administration and management services comprising contract administration, property agency liaison and tenancy management, financial management and other administrative services in relation to Stelux House
Term:	Three years commencing from 1 April 2022 and expiring on 31 March 2025
Monthly remuneration:	HK\$215,000 per calendar month for the first year of the term ending 31 March 2023. The parties shall negotiate and agree in good faith to increase the remuneration on an annual basis for the second year and the third year provided that the annual increase shall not exceed 10%. In the event that no agreement is reached between the parties in negotiating the remuneration for the second and/or third years, the remuneration shall remain unchanged. The parties shall also negotiate in good faith an increase in the remuneration in the event of major capital or repair works being undertaken at Stelux House.
Payment terms:	The monthly remuneration is payable by the principal to the agent in advance in cash on the first day of each and every calendar month

B. Basis for determining the remuneration

The remuneration under the Service Agreement was arrived at after arm's length negotiations between the parties and with reference to the estimate of the costs to be incurred by the Company with respect to the provision of the Services in the financial year ending 31 March 2022.

C. Reasons and Benefits of the Service Agreement

The Group has been providing the Services in relation to Stelux House since 1998 and has accumulated relevant knowledge and experience. Mengiwa is satisfied with the Services provided by the Group so far. The Directors consider that it is to the benefit of the Group as an occupier of Stelux House to maintain continuity and the quality of service by continuing to provide the Services following the expiration of the Subsisting Service Agreement.

The Directors (including the Independent Non-Executive Directors) consider that the terms of the Service Agreement are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Company, and the entering into of the Service Agreement is in the interests of the Company and the Shareholders as a whole.

D. Annual Caps

The Annual Caps for the Subsisting Service Agreement were set at HK\$2,460,000, HK\$2,706,000 and HK\$2,977,000 for each of the three financial years ending 31 March 2022 respectively.

With reference to the monthly remuneration to be received by the Company under the Service Agreement, the Company proposes to set the Annual Caps for the Service Agreement at HK\$2,580,000, HK\$2,838,000 and HK\$3,121,800 for each of the three financial years ending 31 March 2025 respectively.

The Annual Cap for the financial year ending 31 March 2023 is based on the monthly remuneration of HK\$215,000 per calendar month for twelve months; the Annual Cap for the financial year ending 31 March 2024 is based on a monthly remuneration of HK\$236,500 (assuming an increase of 10% from financial year ending 31 March 2023) per calendar month for twelve months; and the Annual Cap for the financial year ending 31 March 2025 is based on a monthly remuneration of HK\$260,150 (assuming an increase of 10% from financial year ending 31 March 2024) per calendar month for twelve months.

E. Listing Rules Implications

As disclosed above, Mengiwa is an associate of Mr. Joseph C.C. Wong and hence a connected person of the Company. The entering into of the Service Agreement therefore constitutes a continuing connected transaction for the Company.

As the highest applicable percentage ratio under the Listing Rules calculated based on the highest Annual Cap under the Service Agreement is more than 1% but less than 5%, the transaction contemplated under the Service Agreement constitutes a continuing connected transaction of the Company that is subject to the reporting, annual review and announcement requirements, but exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since Mr. Joseph C.C. Wong, who is a Director of the Company, has a material interest in the Service Agreement, he abstained from voting on the subject transaction at the board meeting of the Company held on 24 March 2022.

INFORMATION OF THE PARTIES AND THE GROUP

Mengiwa and Active Lights are companies incorporated in Hong Kong. As disclosed above, Mengiwa is a 30%-controlled company (as defined under Rule 14A.06 of the Listing Rules) held indirectly by Mr. Joseph C.C. Wong; and Active Lights is a wholly-owned subsidiary of Yee Hing which is held as to 55% by the Trust of which Mr. Joseph C.C. Wong is a beneficiary. Each of Mengiwa and Active Lights are associates of Mr Joseph C.C. Wong.

Stelux Holdings, Thong Sia Watch, City Chain and Stelux Properties Agency are companies incorporated in Hong Kong and are wholly-owned subsidiaries of the Company. The Company is a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 84). The Group is principally engaged in the business of watch retailing and the wholesale trading of watches.

DEFINITIONS

“Active Lights”	Active Lights Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Yee Hing
“Annual Cap”	the annual rents/licence fees to be paid by the Group to connected persons under the Tenancy/Licence Agreements, or the annual service fee to be received by the Group from a connected person under the Service Agreement (as the case may be)
“associate”	has the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors

“City Chain”	City Chain Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Company”	Stelux Holdings International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“Directors”	directors (including the Independent Non-Executive Directors) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Kowloon Bay Building”	an industrial building in Kowloon Bay, Kowloon, Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mengiwa”	Mengiwa Property Investment Limited, a company incorporated in Hong Kong and a 30%-controlled company (as defined under Rule 14A.06 of the Listing Rules) held indirectly by a connected person of the Company
“Office Premises A”	whole of 27th floor and portion of 28th floor of Stelux House
“Office Premises B”	office unit 2206A on 22nd floor of Stelux House
“Office Premises C”	portion of 21st floor of Stelux House
“Service Agreement”	the agreement entered into on 24 March 2022 between Stelux Properties Agency (as agent) and Mengiwa (as principal) in respect of the Services
“Services”	provision of overall administration and management services comprising contract administration, property agency liaison and tenancy management, financial management and other administrative services in relation to Stelux House
“Shareholders”	holders of the shares in the issued share capital of the Company
“Stelux Holdings”	Stelux Holdings Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company

“Stelux House”	the building known as “Stelux House” situated at 698 Prince Edward Road East, San Po Kong, Kowloon, Hong Kong, erected on New Kowloon Inland Lot No. 4790
“Stelux House Carpark Licence”	the licence agreement entered into on 24 March 2022 between Mengiwa (as licensor) and a wholly-owned subsidiary of the Company (as licensee) in relation to the licence of nine carparking spaces at Stelux House
“Stelux House Storeroom Licence”	the licence agreement entered into on 24 March 2022 between Mengiwa (as licensor) and a wholly-owned subsidiary of the Company (as licensee) for the licence of six storerooms of Stelux House
“Stelux House Tenancy Agreements”	the three tenancy agreements entered into on 24 March 2022 between Mengiwa (as landlord) and certain wholly-owned subsidiaries of the Company (each individually as tenant) in relation to the tenancy of the Office Premises A, Office Premises B and Office Premises C; and “Stelux House Tenancy Agreement” shall mean any one of them
“Stelux Properties Agency”	Stelux Properties Agency Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Subsisting Service Agreement”	the service agreement dated 21 March 2019 and entered into between Stelux Properties Agency (as agent) and Mengiwa (as principal) in respect of the Services for a term commencing from 1 April 2019 and expiring on 31 March 2022
“Subsisting Tenancy/Licence Agreements”	the tenancy/licence agreements dated 21 March 2019 and entered into between Mengiwa and Active Lights (each individually as landlord/licensor) and certain wholly-owned subsidiaries of the Company (each individually as tenant/licensee) in respect of certain office premises, storerooms, carparking spaces and warehouse space for terms commencing from 1 April 2019 and expiring on 31 March 2022
“Tenancy/Licence Agreements”	the Stelux House Tenancy Agreements, the Stelux House Storeroom Licence, the Stelux House Carpark Licence and the Warehouse Licence collectively

“Thong Sia Watch”	Thong Sia Watch Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company
“Trust”	the Klayze Trust, of which Mr. Joseph C. C. Wong and certain of his brothers and sisters are beneficiaries
“Warehouse Licence”	the licence agreement entered into on 24 March 2022 between Active Lights (as licensor) and a wholly-owned subsidiary of the Company (as licensee) in relation to the licence of one warehouse unit and one carparking space at the Kowloon Bay Building
“Yee Hing”	Yee Hing Company Limited, a company incorporated in Hong Kong
“%”	Percentage
“30%-controlled company”	has the meaning ascribed to it under the Listing Rules

By order of the Board
Kelly Liao
Company Secretary

Hong Kong, 24 March 2022

Directors of the Company as at the date hereof:

Executive Directors:

Chumphol Kanjanapas (also known as Joseph C. C. Wong) (*Chairman and Chief Executive Officer*) and Wallace Kwan Chi Kin (*Chief Financial Officer*)

Non-Executive Director:

Suriyan Kanjanapas (also known as Suriyan Joshua Kanjanapas)

Independent Non-Executive Directors:

Agnes Kwong Yi Hang, Jeff Ho Chi Kin and Ricky Lai Kai Ming